MARKETWATCH

Zayre Reports 1987 Profits

FRAMINGHAM, Mass. — Zayre Corp. reported profits of $143.3 million on sales of $6.19 billion for fiscal 1987, ended Jan. 30. Sales were up 15.6 percent; income, partly because of the sale of stock in the company's TJX division, was up 60 percent. However, when the stock income of $89.6 million is deducted, operating profits plunged to $33.2 million from last year's $92.4 million. In the fourth quarter, sales rose 6.1 percent to $1.89 billion, but profits dropped sharply, from $43.8 million to $1.8 million in fiscal 1987. Zayre Stores incurred an operating loss of $16.78 million in the fourth quarter and lost $13.89 million overall. TJX, which includes T.J. Maxx, Hit or Miss and Chadwick's of Boston, had a record year; operating income rose 20.3 percent to $125.68 million. Zayre's warehouse operations—HomeClub and BJ's Wholesale Club—posted $18.66 million in operating income, vs. a loss of nearly $12 million in '86. Most of the gain came from HomeClub.

Wysocki Named Prez, COO of Distributor

LINCOLN, R.I. — Ray Wysocki, formerly executive vice president and general merchandise manager for Zayre Stores, has been named president and chief operating officer of Globe Distribution, a major distributor, based here.

Thrifty Corp. Buys 21 Sports Stores

LOS ANGELES — Thrifty Corp., the drug store and specialty retail operator based here, has added to its rapidly growing chain of sporting goods stores with the purchase of Dave Cook Sporting Goods, the 21-unit, Denver-based retailer. That brings Thrifty's sporting goods store total to 181, most of them located in Western and Rocky Mountain states. Last summer Thrifty acquired Gart Bros., which operates 27 sporting goods stores.

Bradlees' CEO Frank Resigns

BRAINTREE, Mass. — Harold Frank, chairman and chief executive officer of Bradlees, resigned on March 15, effective April 22. Frank, 62, said he wants to pursue "other business opportunities." Frank joined Bradlees as president in 1977 from Gold Circle, where he was executive vp. He was elected chairman and ceo of Bradlees in 1983.

Auchan Sets Hypermarket Location

BRIDGEVIEW, Ill. — Auchan, the French hypermarket, will open its first Illinois unit in this Chicago suburb next winter in the Bridgeview Court shopping center opposite a new Venture store that opened on March 13. Auchan will reportedly open in two phases: 129,000 square feet next February, 81 percent of which will be dedicated to grocery items; and the remaining 30,000 square feet to follow, slated for general merchandise and apparel.

Tuesday Morning Opens Northern Units

DALLAS — Tuesday Morning, the closeout chain based here, has expanded its northern store base with openings in Chicago and Baltimore, as well as another in the Atlanta area. Operating primarily in the South and Southwest, Tuesday Morning offers discontinued and overstock gift and home merchandise at discounts ranging from 50 percent to 80 percent.

F&M Acquires 3 Dart Drug Units

WARREN, Mich. — Deep discount drug operator F&M Distributors expects to enter the Washington D.C., area for the first time with the acquisition of three Dart drug store locations. F&M president and ceo Frank Newman said the Dart stores "will complement the other locations we have secured in the greater Washington metropolitan area." The 52-store chain had purchased five Pathmark Super Drug stores in Baltimore in October, and a sixth location there is expected to open this May. After remodeling, the former Darts should open this summer.

Seminar Set on Artificial Intelligence

WELLESLEY, Mass. — Artificial intelligence for retailers will be the subject of a seminar being held by the Retail Technology Group of Babson College's Center for Information Management Studies on April 11. For information on this free seminar contact: Jill P. Stoff, CIMS, Horn 217, Babson College, Wellesley, Mass. 02157. Phone: (617) 239-4531.

FOR THE RECORD

An error in transmission of *DSN*'s Stock Analysis Table resulted in the transposition of several columns of figures in stock charts appearing in the Feb. 15, Feb. 29 and March 14 issues. For latest stock information, see page 109.

Study Forecasts 10% Volume Gain From POS Electronic 'Dollar' Sales

WASHINGTON — Discount chains can expect a 10 percent increase in sales after installing Electronic Funds Transfer systems at the point of sale, according to a recent survey by the Electronic Funds Transfer Association and California-based Benton International.

The lack of widespread business and consumer acceptance of EFT/POS, however, has resulted in the EFTA forming a special task force on debit cards and EFT/POS. The group is charged with identifying barriers to the implementation of EFT/POS and recommending specific solutions.

The need for the task force was pointed out by the EFT-Benton study. According to Benton vice president Wayne Boucher, not only is a 10 percent gain in retail sales after three years of operation expected, but retailers can also count on a 2 percent increase in sales as soon as they adopt the debit card system.

The statistics were announced at a meeting co-sponsored by EFTA and Benton to promote the use of debit card systems by discounters and other retail chains.

Dale Reistad, president of EFTA, said the survey is the "most comprehensive study yet undertaken on the current and future use of debit cards in retailing in the U.S."

EFT/POS, or debit card systems, is an approach which enables retailers to accept a form of payment that automatically "debits," or deducts the exact amount of the purchase from the consumer's checking account.

The retailer must install a computerized system that accepts a special "debit card" from the shopper that automatically transfers funds from the consumer's bank account as payment for purchases.

"At year-end 1986, there were 57 million point-of-sale transactions per year," Boucher said, adding that by 1990 this figure is expected to grow to 1.54 billion point-of-sale transactions per year. He noted that in 1990, debit card transactions will represent 1 percent of all payment transactions in the nation.

The survey that polled retailers in several areas of business, revealed encouraging statistics for chain store operators using the system. Retailers are expecting the new system to help net profits rise steadily in the coming years.

The study predicts that for major retailers, a 1 percent increase in net profits after installing the EFT/POS system will occur. This figure is expected to rise steadily to 4 percent after the fifth year the debit system is in place.

According to Boucher, the debit systems are also expected to reduce credit card losses for major retail chains. He said that EFT/POS requires "better methods of identification" and does a "better job of screening credit card transactions," that prevent fraud.

Because of these improved screening processes, Boucher expects a 1 percent to 2 percent decline in credit card losses for major retailers after three years.

Although Boucher said that smaller retailers are not expected to see reductions in credit card losses, the survey expects major retailers to see a 4 percent decline in credit card losses after five years on the EFT/POS system.

As an added benefit, EFT/POS systems attract new customers, boost the typical retailer's average sale by 50 percent, and increase the level of customer satisfaction significantly, the study found.

Boucher said the consumers like the shorter, faster checkout lines the system creates, as well as the flexibility to use another form of payment.

Although the future looks bright for the debit card system, there are some drawbacks for retailers. According to the survey, retailers can expect higher employee training costs. Boucher said that a 5 percent rise in the costs of employee training in the first year is expected.

SPARC Award Selections Begin

NEW YORK — The 11th annual SPARC (Supplier Performance Awards by Retail Category) program, recognizing manufacturers serving the special needs of the discount industry, is under way, announced Eugene O'Donnell, SPARC committee chairman and vice president and general merchandise manager, Hills Department Stores, Canton, Mass.

Ballots for the first round of nominations for the awards program, sponsored by *Discount Store News*, have been sent to buyers from the Top 100 discount chains.

Following their nominations, a second balloting will be conducted among the industry's general merchandise managers to determine the first, second and third place winners in 18 merchandise categories. *DSN* will announce the top three nominees from the buyers' vote in its June 6 issue. Among the criteria used by buyers to select SPARC award nominees are: self-service packaging, new product innovations, service programs, meeting delivery commitments, quality control and advertising support.

The SPARC awards will be presented at a special banquet in Chicago on Aug. 14.

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RSIDE
Buyers Club
SAN BERNARDINO

Discount Dept. Stores Hit Annual Sales Mark of $67.9 Billion

(Continued from page 1)

The Census Bureau reports sales for retail companies such as CE outlets and apparel stores, separately and without regard to whether the business discounts its prices or charges full margin.

Despite the recording situation—to which IMRA has objected—sales among discount department stores are probably about 7 percent ahead of 1986.

Robert Hayes, chief economist in the research department at K mart, said he has a "sense" that sales are up about 7 percent. Hersh said he concurs with that estimate.

Next year, both Hayes and Hersh expect sales to rise more modestly, about 5 percent to possibly 7 percent.

Hayes said he expects sales at discount department stores to remain soft for the early part of 1988 and pick up momentum during the second half of the year, producing an annual sales gain of about 5.2 percent, with no adjustment for inflation.

Until 1992, after several seasons of recording sales data, the Bureau will be reporting discount department stores sales "unadjusted" for seasonal variations. Therefore, the monthly and annual sales reports will continue to reflect actual sales activity.

Discount Dept. Store Sales

Sales for discount department stores in 1987 were 41.2 percent of the total for the general merchandise group.

The general merchandise group, which includes sales results for conventional department stores, discount department stores, national chain department stores, variety stores and miscellaneous general merchandise stores, reported 1987 sales of $164.79 billion, unadjusted, up 6 percent from 1986.

Total retail trade for last year was $1.51 trillion, unadjusted, up 3.6 percent from 1986. Excluding the automobile group, retail sales were an unadjusted $1.17 trillion, up 4.3 percent from 1986.

The recent Census Bureau sales report included preliminary sales receipts for December, revealing that discount department stores had a very good 1987 Christmas season.

Sales at discount department stores rose 57 percent in December, to an unadjusted $10.4 billion, the largest increase recorded all last year.

Hayes was not surprised with the Census number for December because the final two months of 1987 produced "two of the best months of the year" for K mart.

In fact, December was a particularly good month for retailers, especially in the general merchandise group, with a November-December sales gain of 60 percent, to $26.29 billion, unadjusted.

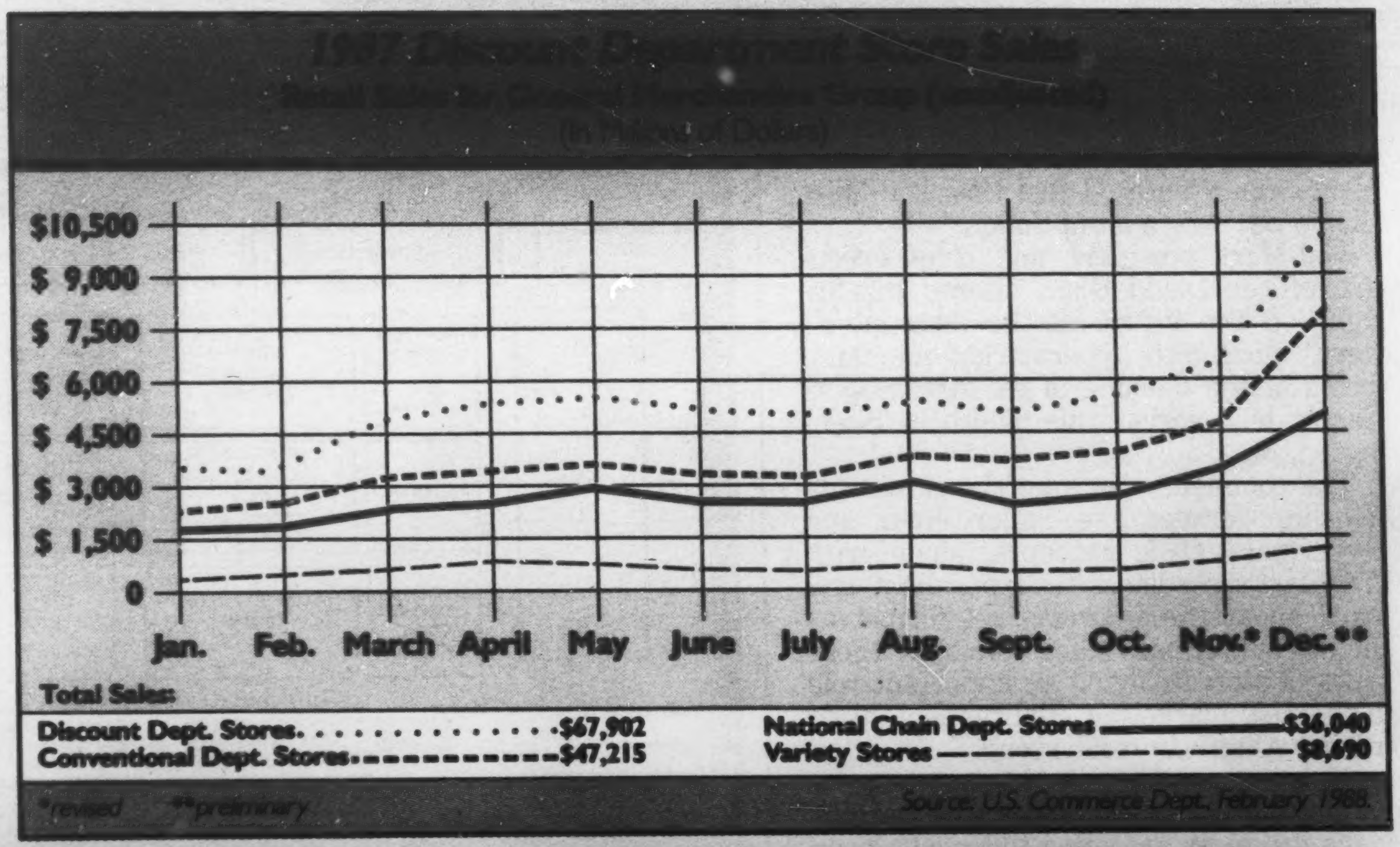
Total retail trade recorded a 23 percent gain to $154.7 billion, unadjusted. Retail sales excluding autos rose 28 percent in December, to an unadjusted $128.26 billion.

Within the general merchandise group, the largest sales increase for December was recorded by variety stores, up 89 percent to an unadjusted $1.38 billion. For the year, sales were up 2.8 percent, to $8.69 billion.

Conventional department stores sales, including leased departments, gained 70 percent in December, to an unadjusted $8.22 billion. For all of 1987, sales were $47.2 billion.

In addition to discount department stores, conventional department stores and national chain department stores just completed their first year of separate Census Bureau reporting. Therefore, no annual comparisons may be made for these retailing divisions.

National chain department stores had the smallest December sales increase, 44 percent to $5.27 billion, unadjusted. For the year, national chain department stores recorded sales of $36 billion.



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Ad Activity Survey: Housewares, Target, January 1988

Product	Brand	Model/ Description	Sale Price	Regular Price
Bakeware	Ecko	Baker's Secret/asst.	$2.00	$2.49-3.99
Glassware Set	Anchor Hocking	Aurora/24-piece	8.00	9.99
Ironing oard	No label	multi-height adj.	10.00	
Scale	Borg	keystone or wicker	10.00	14.99
Laundry Basket	Rubbermaid	extra large	5.00	
Microwave Cookware	Anchor Hocking	freeze/heat/serve	3/4.00	
Crates	No label	space stack	2/4.00	2/7.98
Food Keepers	Anchor Hocking	microwave, asst.	3/4.00	4.47-6.57
Hamper	Rubbermaid	extra large	8.00	
Hangers	No label	jawbreaker, 2-pk.	1.00	1.29
Popcorn Popper	No label	microwave, 3-qt.	3.00	4.99
Trash Can	Tucker	plastic, colored, 32-gal.	7.00	11.99

Source: Vereen & Associates, Indianapolis, March 1988

Ad Activity Survey: Housewares, Shopko, January 1988

Product	Brand	Model/ Description	Sale Price	Regular Price
Bakeware	Foley	asst.	$1.00	$1.49
Cake Pan	Foley		5.99	7.99
Cookware	Foley	7-piece	29.99	34.99
Griddle/Grill	Meyer	12-inch	10.00	
Ironing Board	Eveready		11.99	14.99
Saute Pan	Meyer	8-inch	6.00	7.99
Saute Pan	Meyer	12-inch	9.99	12.99
Laundry Basket	Rubbermaid		2/5.00	3.99
Laundry Basket	Tucker		2/5.00	2.99-3.99
Blanket Boxes	Sterilite Tucker		4.99	6.99
Crates, Bins	Ingrid Tucker	oblong	3.99	5.99
Milk Crate	Tucker		2/5.00	2.99-3.99

Source: Vereen & Associates, Indianapolis, March 1988

New Monthly Ad Survey Details Chains' Activity

NEW YORK — Among the most often advertised housewares merchandise on sale at discounters after the holiday season were bakeware, laundry baskets and assorted storage products, according to a survey of retailers' advertising during January.

The Ad Activity Survey, conducted by Vereen & Associates, Indianapolis, is a detailed monthly report on items, brands, models, and prices of various products advertised by major retailers across the country.

Starting with this issue, *DSN* will spotlight various product categories and provide specific marketing information on different discount chains' advertising strategies, culled from the reports.

The information provides retailers with the opportunity to compare what's being advertised, at what price (and even to calculate the percent markdown to sale price).

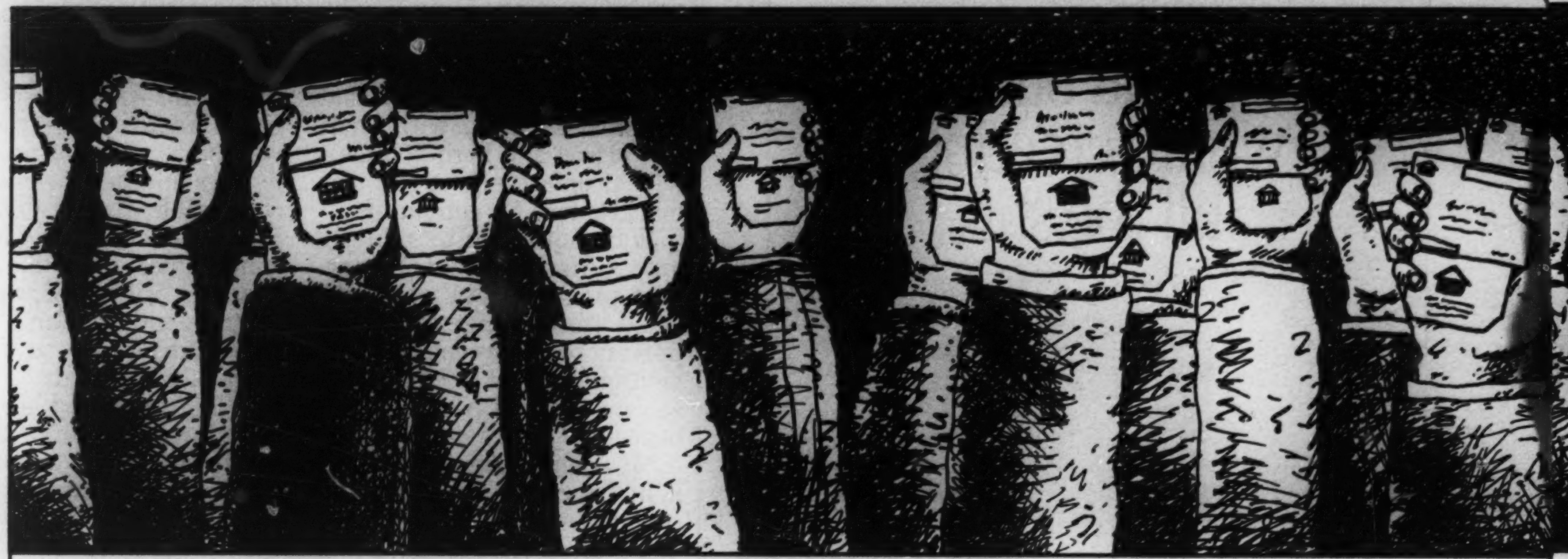
This issue provides charts highlighting ad activity in housewares by Ames, Venture, ShopKo and Target.

Overall, in all categories, ad activity among the major discounters slowed significantly in January from the previous month, as would be expected after the Christmas ad blitz. However, Zayre, in particular, cut back sharply, according to the survey, using only one circular in January. Ames, Bradlees and Gold Circle were also less aggressive, said the report.

Looking at themes in circulars, "Stock Up" received a heavy emphasis, especially in lower-priced consumables.

The survey also pointed out that Zayre is running small-type disclaimers in its circulars stating that only 1,000, 2,000 or 3,000 of certain items are available in each store. At about one or two dozen per sku, the report speculates that these sales can't affect markdown much when the on-hand quantity is so low.

A report on ad activity in February is expected to be released later this month and be available for publication in an April issue of *DSN*.



LOOK WHO'S REGISTERED EARLY FOR NHMA's ALL-NEW MIDYEAR SHOW

As you can see from the distinguished list of companies who've already registered, there will be no lack of excitement. Even as we write this, more and more registrations stream in daily.

The excitement is indeed warranted. Here is an all-new midyear event filled with new products and new ideas. NHMA members/exhibitors will be displaying more than one million products within 400,000 square feet under one roof. Many of these exhibitors have scheduled product introductions and special promotional activities expressly around this show, so that Housewares buyers and merchandisers can preview new products and fine-tune their merchandising plans for the months ahead.

It truly is a "Customers' Show." And being there means being abreast of the latest Industry ideas, innovations and trends.

So be sure to be on hand. It's the best way to keep pace with the innovative Housewares Industry—hands down.

Don't miss the Midyear Housewares Show

July 10-13, 1988

There's only one. NHMA's, of course.

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ALABASTER INDUSTRIES, INC.
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ALCO INDUSTRIES, INC.
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BANGLADESH EXPORT
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BASE LINE DESIGN, INC.
BASIC LINE, INC.
BEAUTI GLIDE
BEE HOUSE CO., LTD.
BEH HOUSEWARES
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BISSELL, INC.
BLITZ MFG. CO., INC.
JERRY BLOCH, INC.
BONJORNO, INC.
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BRINKMANN CORP.
BROCKWAY STANDARD, INC.
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BROOKPARK PLASTICS, INC.
BROTHER INTERNATIONAL CORP.
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BULOVA WATCH CO., INC.
BUNN-O-MATIC CORP.
BURNETT MFG. CORP.
BURWOOD PRODUCTS CO.
BWI, INC.
CALIFORNIA CLOCK CO.
CANDLE-LITE
CANETTI, INC.
CAPITOL PRODUCT
CARDINAL COMB & BRUSH
CARDINAL PRODUCTS, INC.
CAROUSEL INDUSTRIES, INC.
CARTHAGE CUP CO.
CASE MFG. CO., INC.
CASE/CASARD
CATHAY GROUP CO.
CATHAY INTERNATIONAL
CATSKILL CRAFTSMEN, INC.
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E&B MFG. CO.
EAGLE AFFILIATES

Ad Activity Survey: Housewares, Ames, January 1988

Product	Brand	Model/ Description	Sale Price	Regular Price
Bakeware	Ekco	Baker's Secret	2/$3.00	$2.19-4.99 ea.
Chicken Fryer	Mirro	12-in.	2/20.00	12.99 ea.
Drip Pans	No label	6-in. or 8-in.	2/4.00	2.29-3.29
Fry Pan Set	Mirro	3-piece	2/20.00	12.99 ea.
Ironing Board	Lady Seymour		9.99	14.99
Ironing Board Cover	Magla		3.99	5.59
Digital Scale	Sunbeam		19.99r	29.99
Thermometers	No label		2/4.00	2.29-3.29
Basket	Tucker	small	6/2.00	0.69 ea.
Basket	Tucker	medium	4/2.00	0.79 ea.
Basket	Tucker	large/round	3/2.00	0.79-0.99 ea.
Laundry Basket	Frem Corp.	round	2/4.00	2.99 ea.

r—with rebate

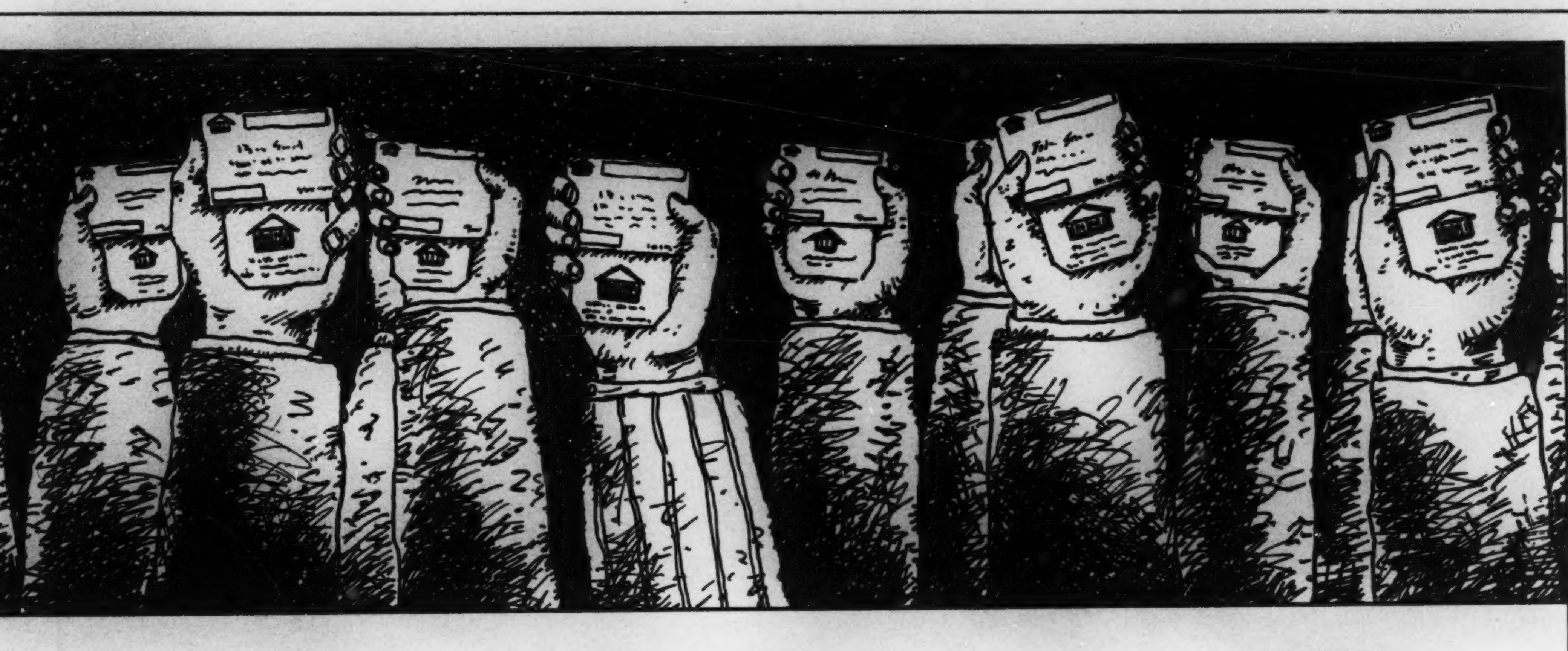
Source: Vereen & Associates, Indianapolis, March 1988

Ad Activity Survey: Housewares, Venture, January 1988

Product	Brand	Model/ Description	Sale Price	Regular Price
Bakeware	Baker Eze	rnd. pan/muffin loaf/pizza	3/$5.00	$1.84-2.99
Cookware Set	Corning Visions	5-piece	18.00	24.99
Digital Scale	Sunbeam		3.00r	39.99
Laundry Basket	Rubbermaid	large	5.00	7.49-7.99
Laundry Basket	Rubbermaid	sq. floral/rect.	3.00	3.49-4.99
Bath Mats	Rubbermaid	octagonal/oval	3.00	3.49-4.99
Bowl Brush Set	Rubbermaid		3.00	3.49-4.99
Dish Pad	Rubbermaid		3.00	3.49-4.99
Folding Crate	No label		5.00	8.99
Lift Lid	Rubbermaid		5.00	7.49-7.99

r—with rebate

Source: Vereen & Associates, Indianapolis, March 1988



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EDGECRAFT CORP.
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HART FIREPLACE FURNISHINGS
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SCANPAN U+S+A
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SCHWARZ BROS. PLASTICS
SEBRING FOREST
SELVAC CORP.
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VOLLTEX
WAHL CLIPPER CORP.
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WELBY LAMP DIV., ELGIN
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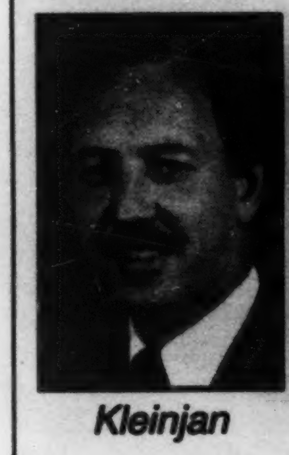
NHMA NATIONAL HOUSEWARES MANUFACTURERS ASSOCIATION

MANUFACTURER NEWS

Selfix Inc., Chicago, has announced the appointment of **Mike Ricard** to the position of Director of product development. He will be responsible for all research and development activities, reporting directly to president Robert Mariani.

Melitta, Cherry Hill, N.J., has announced the appointment of **Donald J. Cook** to the post of vice president of sales for the Melitta USA retail division. Cook's responsibilities will include directing the retail sales efforts of the company through housewares and grocery channels, in line with the company's coffee perfection strategy.



Kleinjan

Wilson

Rubbermaid Inc., Wooster, Ohio, has announced that **Gary E. Kleinjan** has been named vice president of sales for the home products division. In another move, **Franklin D. Wilson** has been named director of marketing for Gott, part of the home products division. Wilson will report to Charles A. Carroll, vice president and general manager for Gott.

The **Electronic Industries Association Consumer Electronics Group, Washington**, D.C., has named **Don Hatton** staff vice president of product services. In a related announcement by CEG vice president Tom Friel, **Margaret Cassilly, Tom Mock** and **Cynthia Saraniti** have been named director of administration, CES, director of engineering and director of communications respectively.

Discounters Set to Propel Warehouse Club Growth

By Arthur Markowitz
Nationwide DSN Report

Two discount store chains, K mart and Wal-Mart, are likely to become the big newsmakers this year in the membership warehouse industry.

K mart plans to become a major player following its entry into the industry last month through the purchase of a controlling interest in Makro (see *DSN*, March 14, page 1), a four-store European-type operation. Makro will almost double in size this year with the opening of three clubs, and over a dozen more are planned for next year.

Wal-Mart, meanwhile, is poised to become the leading membership warehouse operator by opening 18 Sam's Wholesale Clubs this year to become the first chain to break the 100-store mark with 102 units. That growth could also propel Sam's into the top volume spot past the Price Club, the industry's founding chain and, up to now, the sales leader.

Overall, the nation's dozen largest membership warehouse club chains—which account for more than 95 percent of the industry's sales—plan to open about 60 more stores this year, setting the stage for another double-digit jump in the clubs' volume.

The industry's overall expansion, however, masks the sharply different merchandising and operating tacks that the various clubs are pursuing.

One direction, taken by the profitable clubs, is continued growth, adding stores and piling on sales. Almost all the new clubs—50 units—are due to be unveiled by the top seven chains, which either are profitable public companies like Price Club and Costco or are part of larger firms and reported to be in the black by their parents—Wal-Mart (Sam's) and Zayre (BJ's).

In a number of cases—Costco, PACE and BJ's—this expansion will be reined in this year to allow earnings to catch up to previous years' rapid growth in stores.

Other clubs plan very limited expansion, concentrating on improving the bottom line by boosting volume of current stores to the critical sales mass that makes a unit profitable. Publicly-held operations like The Wholesale Club and Warehouse Club, for example, both lost money last year and will focus on increasing sales in 1988. Only The Wholesale Club plans to add any stores, two, including one in the Carmel suburb of Indianapolis, its third in its home market and fifth in the Hoosier State.

From an operations point of view, membership warehouses are either strengthening their focus on serving their business members or offering services like bank credit cards and manufacturer cents-off coupons that will make their operation more attractive to group (consumer) members.

Makro, for example, is adding serviced bakeries and deli sections in its

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Top Membership Warehouse Chains

Chain	Sales (In Millions)		Percent Change	Number of Stores		
	1987	1986		1988	1987	1986
Price Club San Diego, Calif.	$3,236,321	$2,590,319	24.9%	41	37	27
Sam's Wholesale Club Bentonville, Ark.	2,670,000	1,678,000	59.1	102	84	49
Costco Seattle, Wash.	1,370,031	747,042	83.4	55	43	22
PACE Aurora, Colo.	939,560	595,079	57.9	36	33	25
BJ's Wholesale Club Natick, Mass.	575,000*	350,000	64.3	23	19	15
Makro Cincinnati, Ohio	310,000*	290,000	6.9	7	4	4
Price Savers Salt Lake City, Utah	300,000*	174,000	72.4	18	12	6
The Wholesale Club Indianapolis, Ind.	271,659	158,443	71.5	17	15	11
Warehouse Club Niles, Ill.	228,392	157,311	45.2	12	12	10
Buyer's Club Englewood, Colo.	120,000*	80,000	50.0	7	4	3
American Wholesale Richardson, Texas	100,000*	50,000	100.0	6	4	2
Club Wholesale Meridian, Idaho	70,000*	40,000	75.0	8	6	3

*—DSN *estimate*

Source: Discount Store News; *annual reports*

Club Wholesale president Phil Roark (left) and marketing vp Will Mathwig in the Boise, Idaho-based chain's first California club. (DSN photo)

Club Wholesale Caught in Vice Of Tough L.A. Club Competition

ONTARIO, Calif.— With 13 membership warehouse clubs competing for market share in a 60-mile corridor between Los Angeles and San Bernardino, it's easy for a warehouse to get lost in the shuffle.

Such has been the case for Club Wholesale, a six-store chain based in Meridian, Idaho. Begun in 1983, the chain opened its first and only California unit last year.

Located near a freeway offramp, Club Wholesale's warehouse site in Ontario seemed like an ideal location when the company purchased it in August 1986. The chain was even able to obtain a revenue bond from the city, which seemingly made the deal too good to refuse.

The site also afforded additional space for container breakdown and consolidation, and an extension of the Port of Long Beach supplied a duty-free port.

But since the Ontario site opened one year ago, eight other competitors have moved into the nearby vicinity, and the location, it turns out, is not quite so ideal.

Company president Phil Roark said that if the chain had had the foresight to realize how competitive the area was to become, Club Wholesale would probably have avoided the entire Los Angeles basin altogether.

However, excluding the Ontario warehouse, Roark said the company's remaining facilities are doing

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Membership Clubs Battle For Turf in Southern Calif.

(Continued from page 95)

Not surprisingly, Price Club holds a key stake in the Inland Empire with three warehouses currently open and a fourth planned for later this year.

PACE moved into the area only last year, but has already established three units in the area, and Costco and Price Savers have each set up two locations. Added to this contingent are singular Buyer's Club, Club Wholesale and Saveco sites.

So what is the Inland Empire's attraction? The draws are multiple, but the primary reason lies in Southern California's familiarity with the membership club format, according to industry and area experts.

It was here that San Diego-based Price Club first introduced the concept, and area businesses and residents have easily learned to accept, enjoy and shop at warehouse clubs.

While the entire market has this benefit, the Inland Empire holds additional drawing power to the membership warehousers. With bottom line costs closely monitored throughout the industry, the savings available here in terms of relatively cheaper land values make the area considerably more affordable than the Los Angeles market's coastal areas.

According to a consultant to San Bernardino's development department, real estate is 25 percent to 30 percent cheaper in the Inland Empire than it is further west. Added to this is a growing population base, which according to area studies increased some 30 percent between 1980 and 1987.

The Inland Empire also boasts plenty of freeways—which most clubs contend are necessary for easy customer accessibility—in addition to major rail lines and a centrally located airport which caters to the freight business.

With this customer, transportation and real estate base drawing so many clubs to the area, it is no wonder that overlapping and nearly face-to-face confrontations have already occurred.

In the City of Industry, Seattle-based Costco and Salt Lake City-based Price Savers have warehouses on the same street, making them almost next door neighbors. Also vying for customer dollars in this area are Denver-based PACE, located 15 minutes away, and Price Club, about 20 minutes away.

Competition is also intense in metropolitan San Bernardino, where an Englewood, Colo.-based Buyer's Club faces off against PACE. Here again, Price Club is nearby, and so too, are Costco and Saveco warehouses.

This intense competition has forced each club to carve out its own distinct niche. To examine these differences *DSN* conducted an extensive market study over a three-day period in late February.

While every one of the clubs could easily be thought of as a Price Club clone, very few of the clubs actually follow the leaders' merchandising philosophy of offering a lot of categories in limited selections.

It is the scaling down of total categories and expansion of the selection in distinct areas that has created each clone's uniqueness. And in doing so,

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Discounters Set to Propel Membership Warehouse Growth

(Continued from page 97)

current clubs and will include these departments in all new stores, starting with the two units in Cleveland and one in Baltimore set to be opened this year. Makros are already set for Cherry Hill, N.J., and Hartford, Conn., next year as part of K mart's plan to open wholesale clubs in New England, the Middle Atlantic States and Florida.

These sections show Makro's positioning as an upscale membership club, offering businesses a much wider assortment of items—25,000 sku's—than the more targeted format developed by the Price Club which merchandises only about 4,000 sku's, focusing on items in greatest demand among its members.

K mart plans to grow Makro into a billion dollar business within a few years, just as it did to Builders Square, its warehouse home center division which it purchased as a two-store operation in 1984.

Business-Oriented Image

The Price Club, in a move to enhance its image as a business-oriented club, has begun to eliminate group members as a free membership category. It charges a fee to all members at most of its clubs, and they all buy merchandise at the same price. Additionally, Price now considers individual professionals and contractors, even those in a group business practice, as small businesses, eligible for their own cards.

Price has also augmented its operations to provide more services to members. The key move here was launching Price Club Industries to develop new businesses that the company can provide to members at the same low cost as its core wholesale club merchandise assortment. Among the first such services were optical centers, so far in 11 stores, with tests of a gas station and a pharmacy underway.

The Price Club, which lost its store count leadership position to Sam's in 1985, plans to open at least four stores this year, one each in Corona, Calif.; Glendale, Ariz.; Hampton, Va.; and White Marsh (Baltimore), Md. These units denote the Price Club's focus on filling in markets where it already has clubs so that it becomes more difficult for competitors to come into the area and operate profitably.

Wal-Mart's membership warehouse efforts involve:

- Bringing the volume of 18 former Super Saver stores, which it purchased in mid-1987, up to Sam's typical $50 million sales level. This move could generate over $800 million in sales from an operation that Wal-Mart purchased for about $40 million.
- Continuing to plant Sam's throughout the South and Midwest, relatively understored markets for membership clubs, while avoiding the highly competitive East and West Coasts.

Sam's growth this year is likely to push the wholesale club's volume to the same $4 billion level that the Price Club is expected to reach, even though each Wal-Mart membership warehouse generates only about half the sales of a Price Club.

The other four top membership warehouses are following a measured growth program while augmenting their services to members.

Costco has begun to roll out an expanded offering of fresh meats and produce as its key service enhancement for 1988. Last year it greatly expanded its pharmacy effort, closing 1987 with 14 pharmacies in operation while also beginning to install optical centers.

Costco plans to open 12 clubs this year, an expansion pace topped only by Sam's. The new Costcos already set include a unit in Honolulu, the first in Hawaii, plus five more stores in California: in Hawthorne, Van Nuys, Lancaster and Victorville in the south and Fremont in the north.

A new service offered by a number of membership warehouses was acceptance of credit cards, either those issued by banks or by the wholesale club itself.

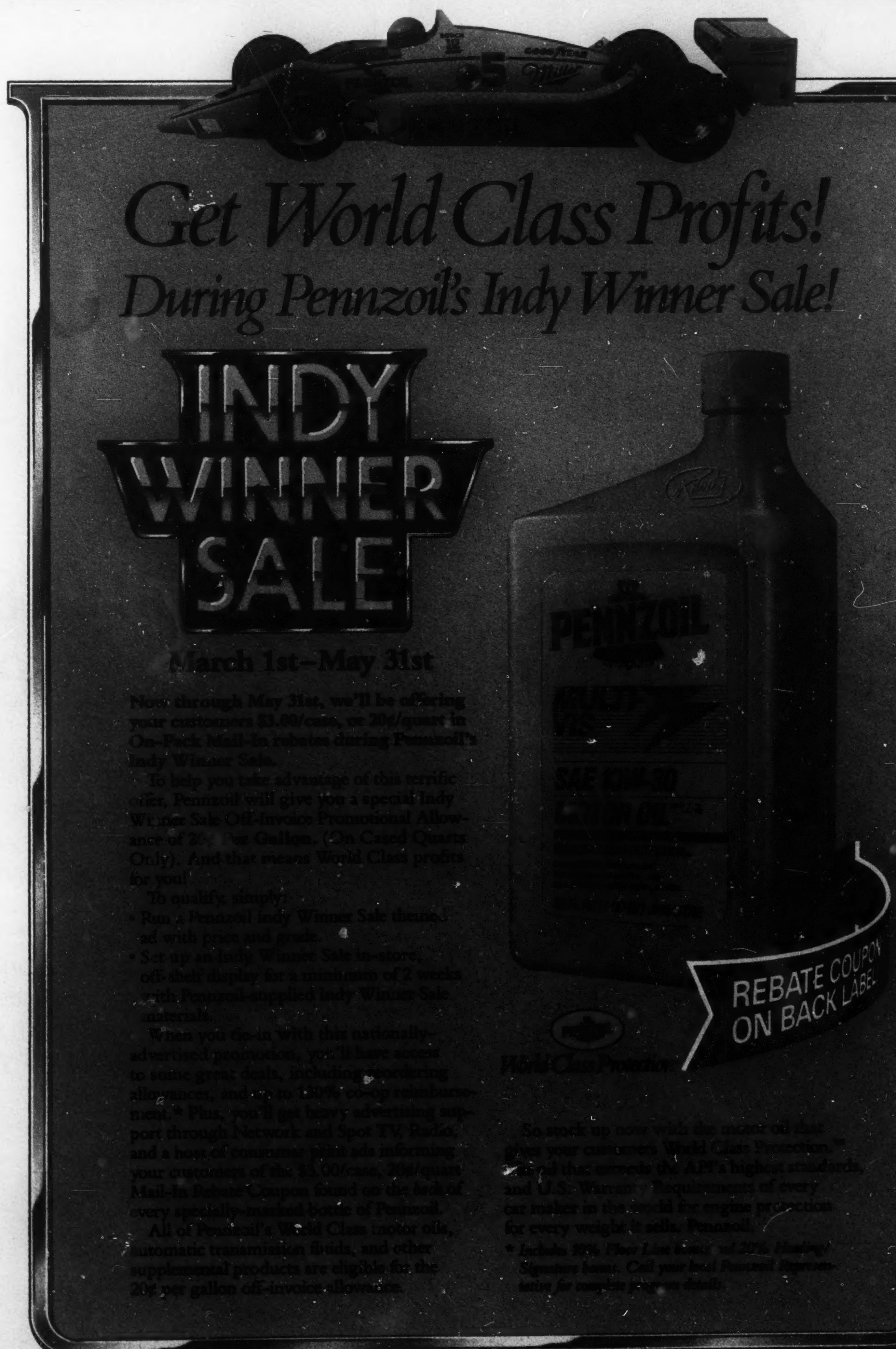
PACE pioneered this enhancement when it became the first company to go beyond the cash-and-carry industry norm by introducing a credit card. Handled by an outside firm, PACE said the convenience card did not necessitate higher prices. The card is still under a test phase at this time, and is not available in all of the company's markets.

The company is focusing its expansion this year on beefing up current markets. It plans to open three units in Southern California, an area that accounted for most of the company's store growth last year. PACE units are also set for Tarpon Springs, Fla., a state where the club already has three stores, and Charlotte, N.C., its second in that city.

Having passed the critical $500 million sales level and reportedly now a profitable operation, BJ's this year is striving to boost individual club volume even higher. The Zayre Corp. subsidiary plans to maintain its four-club-a-year growth, with stores already set for southern New Jersey and Massachusetts.

Price Savers introduced a company credit card last year, with an outside bank handling the service. The company's profitable operation has resulted in parent Kroger turning on a green light for expansion, with six new units planned this year. Two are set for Phoenix, Ariz., and negotiations are underway for two sites in Ohio and Kentucky.

Buyer's Club last year became one of the few membership warehouses to accept bank cards. The club opened only one store last year despite more auspicious growth plans, and is projecting three new stores this year due to a 50 percent increase in sales.



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K mart Office Supply Venture Extends Specialty Store Focus

(Continued from page 1)

Joe Antonini disclosed in a conference call to security analysts and institutional brokers that Atlanta will be the site of K mart's first 230,000-square-foot hypermarket, to be called American Fair, *DSN* has learned. Opening for the first hypermarket is set for late December, Antonini said.

As with Sports Giant, K mart will operate Office Square through its Builders Square subsidiary to use its systems and reduce overhead. In another similarity with Sports Giant, K mart is tapping Builders Square to staff its office supplies, furniture and office equipment venture.

K mart announced the following assignments: Jack D. Guthrie, executive vp, Builders Square, as Office Square president; Robert E. Sutz to be general merchandising manager; Patrick M. Mattingly, another Builders Square veteran, director of store operations, administration and personnel; and R. Gene Cuthbertson, also from Builders Square, director of advertising and sales promotion.

On the buying staff, Mark Perry will be responsible for office furniture and consumer electronics, while James Reding will buy computer supplies and consumable office supplies. Buyers are beginning to conduct meetings with vendor representatives, *DSN* has learned.

The Office Square stores will be about 25,000 square feet, K mart said.

The sporting goods and office products ventures represent two of three unnamed specialty retailing ventures that Fred Stevens, head of K mart's specialty retailing, disclosed last October as being developed by Builders Square. Speculation about the remaining venture focuses on home decorating centers.

Sports Giant will start with a four-store test, with the first opening in 1988. Most industry insiders expect K mart to also start with a four-store test of Office Square. K mart said the first opening will be in early summer. It said it is considering real estate in major markets across the country.

K mart officials, including Stevens and Guthrie, were unavailable for comment.

Office Square probably won't sell computers, just peripheral supplies, a K mart spokeswoman said.

At retail, the market for office products will total about $100 billion in 1988, projects the National Office Products Association. For office supplies, NOPA projects 1988 shipments of $38.5 billion (wholesale value); furniture, $8.2 billion; machines and microcomputers, $35.1 billion (including $18.2 billion in computer sales).

From 1984 to 1989, NOPA sees a growth rate of 5.9 percent for supplies, 6.9 percent for furniture, and 13.7 percent for machines and computers.

The booming office product warehouse clubs have broken the cartel of a handful of large office products distributors, establishing a two-tier distribution system, said Sid Doolittle, a partner in McMillan Doolittle, a retailing planning consulting firm in Chicago.

Two other office warehouse chains are scheduled to open next month, Doolittle said: Office World in Chicago, and Office Shop Warehouse in Pittsburgh, which will be operated by G.C. Murphy, a subsidiary of Ames Department Stores.

Markups are "very high" from full-service distributors, said Dan Barry, a Kidder Peabody analyst. Catering to small businesses, office supply warehouses cut margins to the low to high 20s, he said.

"It's a great concept, with tremendous growth potential," Barry said. "K mart is getting into the field early."

K mart has set a goal of deriving 18 percent of its sales from specialty retailing and already reached 13.6 percent for 1987. Out of $25.63 billion in reported sales for the fiscal year ended Jan. 27, $3.49 billion was derived from specialty retailing divisions—Builders Square, Waldenbooks and Pay Less Drug Stores.

Total sales for the year rose 6 percent from $23.81 billion the year before. Comparable store sales gained 4.1 percent.

Net income for the year rose 18.9 percent to $692.2 million.

At an April 19 board meeting, K mart will raise its annual dividend 14 percent to $1.32, predicted Walter Loeb, senior retail analyst and a principal of Morgan Stanley.

In a K mart update released in early March, Loeb also predicted that K mart will test the addition of 40,000-square-foot supermarkets "next to existing K mart stores to rejuvenate these mature locations."

Loeb also said that Builders Square turned a $20 million profit in the year just ended, compared to a $10 million loss the year before.

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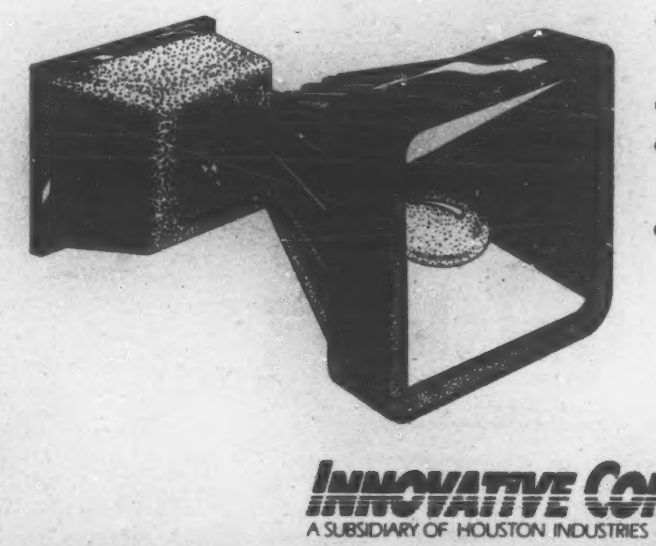

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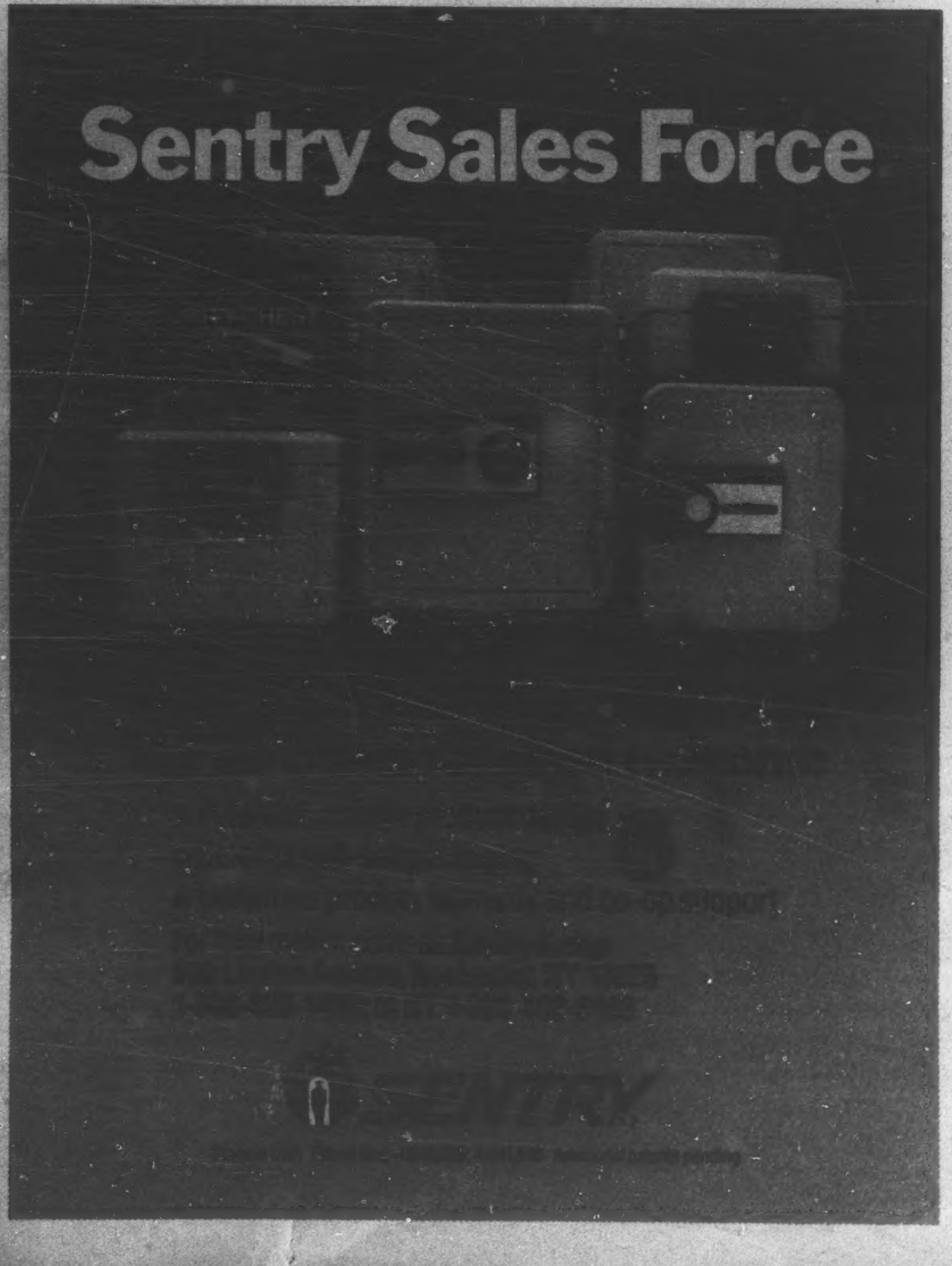

Sears Agrees to Buy Western Auto

(Continued from page 1)

In addition, Sears would assume $152 million in Western Auto debt. Western Auto acquired much of that debt in December 1985, when William Simon, former U.S. treasury secretary, bought it from Beneficial Finance through his Wesray Corporation. Simon took Western Auto public in January 1987.

Western Auto and the Sears auto service centers will continue to operate under their own names, carry their own brands of merchandise and pursue their own growth strategies, Sears said in a release. John T. Lundegard will continue to serve as chief executive of Western Auto and will report to Alfred G. Goldstein, president of Sears Specialty Merchandising.

Sears established its specialty arm early in 1987 to oversee its expansion into specialty retailing.

Its first diversification came last December when it acquired Eye Care Centers of America for $52.4 million. In January, Sears bought the Pinstripes Petite apparel chain for an undisclosed sum.

A Sears spokesman declined to speculate on future specialty plans, either through start-ups or further acquisition.

Unlike K mart, which has set a goal of 18 percent of its sales from specialty retailing, Sears has set no such goals.

In 1987, Sears reported revenues of $48.44 billion and net income of $1.65 billion.

Western Auto operates 278 stores and 116 Tire America and NTW tire specialty centers acquired in 1987. In addition, Western Auto serves as a wholesaler to 1,570 independently-owned, small rural "associate" stores.

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Features

K mart and Groceries

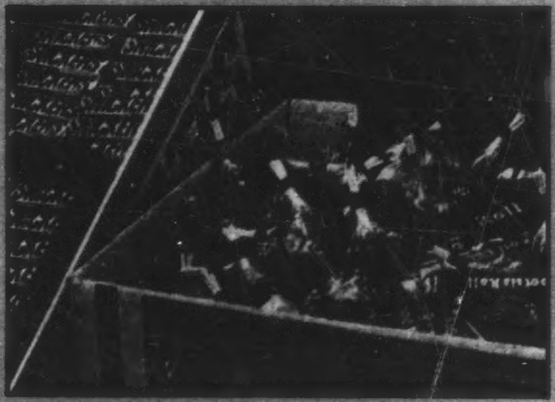
How and why the nation's largest discount chain markets groceries.

Special report: First Annual Consumer Grocery Purchase Study

How likely is a supermarket shopper to buy groceries in a drug or discount store. What motivates a sale. And why aren't shoppers making more food purchases in nonfood stores.

Candy: One of the Fastest Growing Categories in Nonfood Stores

Drug and discount chains are courting candy shoppers with massive displays and low advertised prices on popular brands.



Snacks: Nonfood Stores are Expanding Space for Snacks

From popcorn through potato chips, more shoppers today are buying snacks in nonfood stores. The lure: visible merchandising, convenience and low everyday prices.

Departments

Food For Thought

Courting the food shopper: Opportunities for new growth

News Basket

CHEESE
CURLS
Cheese Balls
PR

Buyers identify food as one of chain drug's fastest growing categories

Sami: Category Seasonality Report

Best selling categories of winter

Best Selling Categories of Winter

The chart below lists the best selling categories in food stores for the months of December, January, and February.

The rankings are based on a special Sami study tracking seasonality growth trends by category. The categories that made the list had a base index of at least 110 for the three years ended in December 1986, and January and February 1987.

Knowing the index makes it easier for food, snack and household supply buyers in drug and mass merchandise stores to identify the categories that will turn the fastest for a planned seasonal promotion.

Foods and Groceries: Best Sellers of Winter

(Average three year index ranking)

December

Foods	Index Ranking
Canned cranberries	391
Novelty candies	322
Baking nuts	267
Dates	261
Canned onions	248
Packaged chocolate covered fruits	242
Piecrust mix	214
Canned potatoes	221
Corn syrup	218
Pie crust mix	215
Brown sugar	205
Stuffing mixes	202
Chocolate creams	201
Solid chocolate pieces	200
Maraschino cherries	198
Dry yeast	191
Canned pie filling	186
Coconut	185
Sterilized milk	183
Baking chocolate	182
Packaged hard candies	180
Croutons	179
Confectioner's sugar	176
Ripe olives	174
Cider	167
Molasses	165
Spanish olives	162
Nonfoods	
Heatable bags & wraps	292
Fireplace logs & bricks	251
Rock salt	176
Disposable containers	170
Coffee makers	153
Rodenticides	144
Flash bulbs	135
Batteries	132
Oven cleaners	126
Aluminum foil	126

January

Foods	Index Ranking
Dates	259
Maraschino cherries	252
Cake decorations	239
Coconut	210
Corn syrup	206
Molasses	202
Baking extracts	199
Cream of tarter	191
Canned meats	191
Confectioner's sugar	181
Baking nuts	180
Cake flour	180
Brown sugar	173
Marshmallows	166
Cocoa	166
Baking extracts	166
Pipe olives	162
Spanish olives	161
Chili sauce	160
Canned onions	158
Cider	157
Canned dry beef	151
Canned sauerkraut	147
Canned cherries	145
Cocktail mixes	145
Canned shrimp	142
Dried apricots	141
Nonfoods	
Fireplace logs & bricks	325
Rock salt	297
Flash bulbs	211
Batteries	153
Heatable bags & wraps	148
Disposable containers	143
Waxed paper	143
Coffee makers	129
Plastic flatware	119
Poly wrap	113

February

Foods	Index Ranking
Packaged nonchocolates	215
Packaged jellies	207
Packaged solid chocolate	201
Tartar sauce	171
Packaged other chocolates	164
Canned salmon	146
Diet desserts	140
Canned pie filling	137
Packaged novelty items	136
Canned cherries	134
Diet canned fruits	131
Dry frosting mix single layer	130
Chocolate covered creams	130
Oriental food	129
Hot cereals	127
Dry frosting mix double layer	126
Bouillon	126
Canned apricots	124
Canned spinach	123
Canned mixed vegetables	123
Dried prunes	122
Dehydrated soups	122
Milk modifiers	121
Canned pears	121
Canned tomatoes	121
Honey	120
Canned soup	120
Nonfoods	
Rock salt	169
Fireplace logs & bricks	114
Facial tissues	114
Bath additives	114
Light bulbs	112
Shoe polish	110

Source: SAMI Seasonality Study

FIRST ANNUAL CONSUMER GROCERY PURCHASE STUDY

Food Shopping in Nonfood Stores is Growing

Grocery shoppers say they are buying more grocery products in nonfood stores today than they were two years ago. Price motivates most sales

A third of all shoppers who buy groceries in discount stores say their purchases have increased in the past two years for the following categories: candy, gum, chips, snacks, non alcoholic beverages, packaged and canned dry groceries, laundry detergents and household supplies, pet foods and accessories and household paper products.

Only consumers who buy beer, wine & other alcoholic beverages in discount stores say their purchases on these items is either decreasing or remaining the same.

Just 8% say their purchases of alcoholic beverages in discount stores have increased in the past two years.

Drug Store Food Purchases

At least three out of every ten shoppers who buy groceries in drug stores say their purchases have increased in the past two years for the following categories: non alcoholic beverages, packaged and canned dry groceries, laundry detergents and household supplies, pet foods and accessories and household paper products.

Nonfood Grocery Shoppers: Changes In Frequency of Purchases +

(% of nonfood shoppers who say their purchases by category have increased in the past two years)

Category	Discount	Drug
Candy/Gum	34%	19%
Chips/Snacks	33	23
Nonalcoholic Beverages	32	32
Beer, Wine & Other Alcoholic Beverages	8	20
Packaged/Canned Dry Groceries	33	30
Laundry Detergents/Household Supplies	34	40
Pet Foods/Accessories	38	50
Household Paper Products	34	30

+ Based on interviews with consumers who do buy groceries in drug and discount stores

Source: Lebhar-Friedman Research

A fifth of all drug store grocery shoppers also say their purchases have increased for these categories: candy and gum, chips and snacks, and beer, wine and other alcoholic beverages.

One half to two-thirds of all grocery shoppers in drug and discount stores also say that the last time they purchased candy, gum, chips or snacks in these stores, it was done on impulse.

Of the eight food and grocery categories we tracked, candy and gum led as the leading impulse purchase category in discount stores, while chips and snacks generated the most impulse purchases in drug stores.

Purchases in all the other categories were more likely to be planned rather than made on impulse.

There is, however, some indication that discount store purchases are more planned than are grocery purchases in drug stores, particularly for products like alcoholic beverages, packaged and canned dry groceries, and household paper products.

Purchases of pet foods and pet accessories were more often planned in drug stores than in discount stores.

Price Main Motivator

In both drug and discount

Many drug stores today have convenience shoppers use drugstores for grocery purch stores, special low prices were the key factors in generating an impulse sale. Forty-seven percent of all consumers who made an edible grocery purchase on impulse in discount stores said it was motivated by low prices, and 53% who made such purchases in drug stores gave the same response.

Price was also strongly responsible for the impulse purchases of non-edible grocery items like household cleaners, laundry detergents, and paper products.

In discount stores, 68% of all shoppers who bought non-edible groceries on impulse said they did so because of price, while in drug stores, 60% said price was the reason they made an impulse purchase of a non-edible grocery item.

partments, but just 31% of grocery buying

Non Food Stores: How Their Merchandising of Groceries Compares to Shoppers Purchasing Behavior

	% of stores carrying this category everyday		% of consumers buying this category in nonfood stores	
Category	**Discount**	**Drug**	**Discount**	**Drug**
Candy/gum	100%	93%	31%	24%
Cleaning supplies	95	93	39	15
Pet foods/accessories	95	67	16	4
Paper products like facial/toilet tissues	89	90	38	20
Chips/snacks	84	83	29	16
Nonalcoholic beverages	74	70	28	16
Packaged/canned dry groceries	42	37	29	12
Beer/wine and other alcoholic beverages	32	47	7	5

Source: Lebhar-Friedman Research

% of Nonfood Grocery Purchases Made on Impulse +

	Discount	Drug
Category	% of Unplanned Grocery Purchases	
Candy/Gum	67%	57%
Chips/Snacks	55	61
Nonalcoholic Beverages	29	42
Beer, Wine & Other Alcoholic Beverages	31	40
Packaged/Canned Dry Groceries	33	35
Laundry Detergents/Household Supplies	20	30
Pet Foods/Accessories	25	12
Household Paper Products	21	32

+ Based on interviews with consumers who do buy those categories in drug and discount stores
Source: Lebhar-Friedman Research

Factors that Motivate an Impulse Nonfood Edible Grocery Sale +

	Discount	Drug
Motivator	(% of shoppers who gave this response)	
Special low price	47%	53%
Were hungry & wanted a snack	34	33
Saw a large display	33	36
Remembered it was needed	33	22
Were thirsty & wanted a drink	9	17
Other reasons	13	19

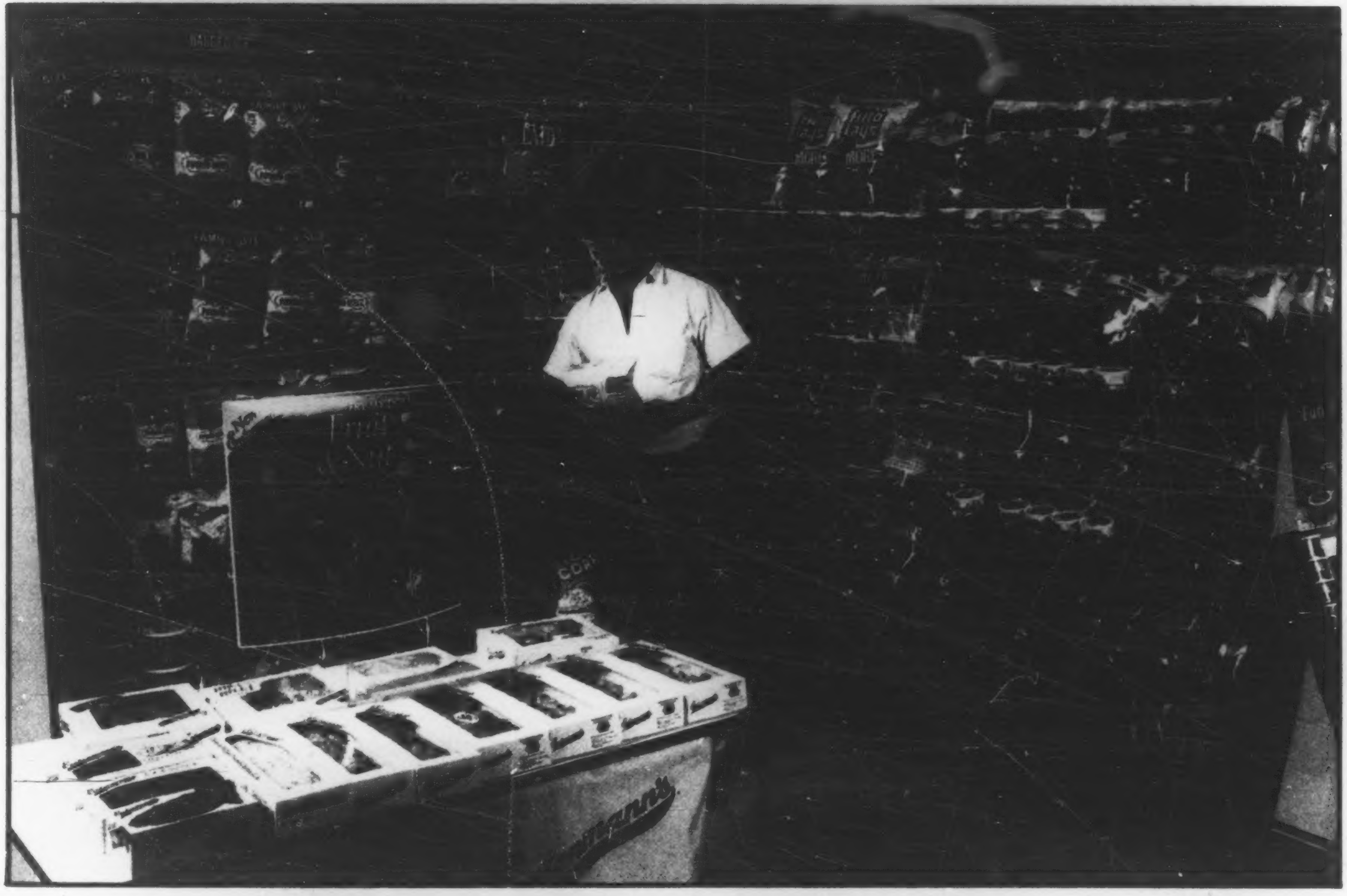
+ Based on interviews with consumers who do buy groceries in drug and discount stores on impulse
Source: Lebhar-Friedman Research

FM

FOOD MERCHANDISING
FOR NON-FOOD RETAILERS

SPRING 1988

First Annual Consumer Purchase Study:



How Effective are Drug & Discount Stores in Attracting the Grocery Shopper

Price & convenience motivates most grocery purchases in both drug and discount stores.

Who Buys Groceries in Non Food Stores

Most drug and discount store chains that carry grocery products have been enjoying double digit growth in this product segment, particularly with snacks, soft drinks, and household cleaning products.

But, according to Food Merchandising's first annual study of consumer purchasing behavior, the nonfood chains have just scratched the surface of the grocery category's potential for additional growth.

According to our study, which was implemented last summer by Lebhar-Friedman Research, just four out of every ten consumers are now buying grocery products, including snacks, in discount stores, while just three out of every ten consumers are buying snacks and traditional grocery products in drug stores.

The study's findings are based on interviews with males and females who were responsible for at least half of all their household grocery purchases.

44% of all consumers buy groceries in discount stores and 31% buy them in drug stores.

Our survey found that there is enormous potential for increasing grocery purchases in nonfood stores.

Frequency of Grocery Shopping is Low

Currently more than half of all grocery shoppers, 56%, are *not* shopping discount stores for food and grocery products, and an even higher portion of the grocery buying public, 69%, or two-thirds of all consumers, are not shopping for groceries in drug stores.

In addition, even though four out of every ten shoppers do buy groceries in discount stores and three out of ten buy them in drug stores, these shoppers are not making grocery purchases as often as they could and should be doing.

And this is primarily because neither drug nor discount stores are doing an adequate job of inspiring food and grocery purchases on a frequent basis.

Among shoppers who buy groceries in discount stores, just one in ten (25%) say they make grocery purchases in their local discount stores at least once a week or more.

And drug stores, which are more convenient to most shoppers than discount stores, do an even worse job with their shoppers. Just (19%) of all grocery buying drug store shoppers say they make a grocery purchase in their local drug stores at least once a week.

Lack of Consistency A Problem

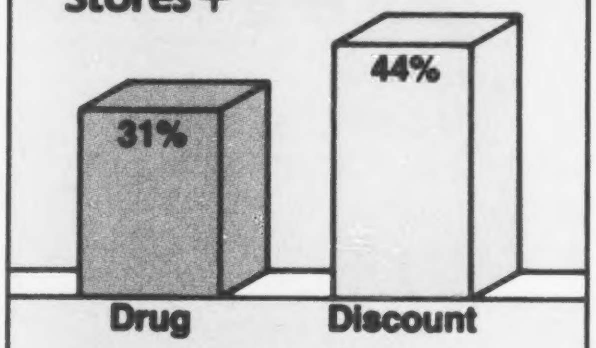
From interviews with consumers and buyers of grocery products for nonfood chains, *Fm* has indications that part of the problem is inconsistent merchandising of the grocery category.

Many consumers say they cannot depend on finding grocery products in drug and discount stores on any "consistent" basis. "There's no way I can make a planned food purchase in a drug or a discount store," said one woman shopping a New Jersey K mart, "unless I'm buying candy or a snack."

Most consumers say they make planned purchases only of "advertised" items, nuts, candies and crackers at Christmas, household cleaners and detergents at January and Dollar Day specials, and packaged commodity items like juices and cake mixes or facial tissues at varying seasonal periods.

Based on our research and follow up interviews with consumers and grocery product buyers for nonfood chains, it's apparent that drug and discount stores could increase the frequency of their grocery sales as well as broaden their universe of grocery shoppers by doing the following:

% of Consumers Buying Groceries In Nonfood Stores +



+ Based on interviews with shoppers responsible for at least half of all household grocery purchases
Source: Lebhar Friedman Research

Strategies For Maximizing Foods

- Maintain a consistent year-round grocery department
- Give the department visibility by putting it adjacent to high traffic aisles
- Advertise specials that would appeal to the main grocery household shopper
- Display the specially advertised items on end caps and floor displays adjacent to the grocery department
- Keep the pet department, the beverage department, the household cleaning department and the paper products department as close to the edible grocery department and the candy/snack departments as possible.
- Keep prices in all the grocery departments below the everyday retails in competitive food stores.
- Take advantage of the grocery manufacturers' growing interest in the nonfood trade to develop programs advantageous to year-round marketing of groceries.
- Tailor a grocery department to commodity and seasonal items that turn fast, generate incremental sales and encourage repeat customer visits.

How Often Consumers Shop Nonfood Stores for Groceries†

Frequency of shopping	Discount	Drug
Once a week or more	11%	6%
2-3 times a month	8	4
Once a month	16	8
Once every 2-3 months	4	6
Less often than once every 2-3 months	5	7
Never	56	69

†Based on interviews with shoppers responsible for at least half of all household grocery purchases
Source: Lebhar Friedman Research

Regional shopping patterns

Fm's first annual consumer grocery purchasing survey also found that there are regional differences in the way consumers shop for groceries.

Consumers living in the south are the most likely to purchase groceries in discount stores (56% do) while consumers living in the northeast are the least likely to buy groceries in discount stores (just 27% do).

Consumers who live in the west are the most likely to buy groceries in drug stores (37% do). But in the midwest, just 26% of all shopped say they buy groceries in drug stores.

Both drug and discount stores also sell more groceries to more affluent customers, to the households with incomes of $25,000 and above. Shopping at non food stores for grocery items is significantly less likely, the study found, among consumers with incomes of less than $25,000.

How Often Drug & Discount Store Consumers Shop Nonfood Stores for Groceries†

Frequency of shopping	Discount	Drug
Once a week or more	25%	19%
2-3 times a month	18	13
Once a month	37	26
Once every 2-3 months	9	19
Less often than once every 2-3 months	11	23

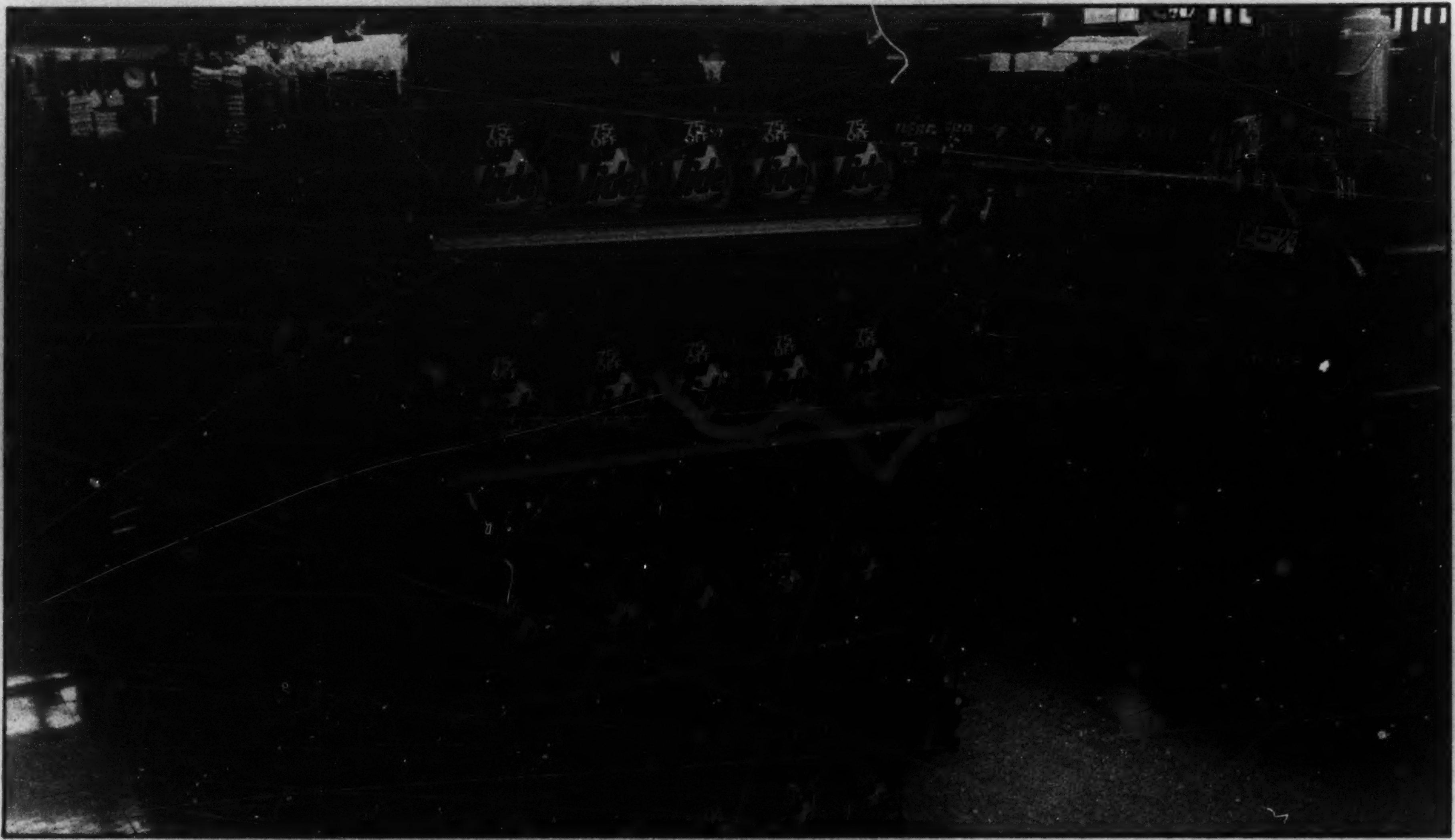
†Based on interviews with consumers who do buy groceries in drug and discount stores
Source: Lebhar Friedman Research

Affluent Shoppers Buy More Groceries In NonFood Stores†

(% of shoppers who buy groceries in nonfood stores)

Income levels	Discount	Drug
Under $25,000	36%	15%
$25,000 to $44,999	66	47
$45,000 or more	35	46

†Based on interviews with shoppers responsible for at least half of all household grocery purchases
Source: Lebhar Friedman Research



Discount store shoppers who purchase groceries are very likely to throw laundry detergent in their shopping cart.

The Groceries Consumers Buy in Nonfood Stores

Laundry detergents & household supplies are the grocery products most often bought in discount stores.

Candy/gum and household paper products are the groceries most often bought in drug stores.

In general, discount stores get more grocery category purchases from their shoppers than drug stores do.

Eighty-eight percent of the shoppers who bought grocery products in discount stores purchased items like laundry detergents and household supplies.

In contrast, according to our survey, just 48% of all shoppers who bought groceries in drug stores used their stores as sources of supply for laundry detergents and household cleaning items.

Briefly, here is a summary of how grocery purchase activity differs in drug stores vs. discount stores:

Groceries: What Shoppers Buy In Nonfood stores +
(% of nonfood grocery shoppers making these purchases)

Category	Discount	Drug
Laundry Detergents/Household Supplies	88%	48%
Household Paper Products	87	64
Candy/Gum	70	76
Chips & Snacks	67	50
Packaged/Canned Dry Groceries	67	37
Non-alcoholic Beverages	64	50
Pet Foods & Accessories	37	13
Beer, Wine & Other Alcoholic Beverages	15	16

+ Based on interviews with shoppers who do buy groceries in drug and discount stores
Source: Lebhar-Friedman Research

Report Card On Grocery Purchases: Discount Stores

- 88% of all shoppers who buy groceries in discount stores buy laundry detergents and household cleaning supplies;
- 87% of all shoppers who buy groceries in discount stores buy household paper products;
- 70% of all shoppers who buy groceries in discount stores buy candy and gum;
- 67% of all shoppers who buy gro-

ceries in discount stores buy chips, snacks and packaged or canned dry groceries;

- 64% of all shoppers who buy groceries in discount stores buy nonalcoholic beverages;
- 37% of all shoppers who buy groceries in discount stores buy pet foods and accessories;
- 15% of all shoppers who buy groceries in discount stores buy beer, wine or other alcoholic beverages.

Report Card on Drug Store Grocery Purchases

- 76% of all shoppers who buy groceries in drug stores buy candy and gum;
- 64% of all shoppers who buy groceries in drug stores buy household paper products;
- 50% of all shoppers who buy groceries in drug stores buy chips, snacks and nonalcoholic beverages;
- 48% of all shoppers who buy groceries in drug stores buy laundry detergents and household cleaning supplies;
- 37% of all shoppers who buy groceries in drug stores buy packaged and canned dry groceries;
- 16% of all shoppers who buy groceries in drug stores buy beer, wine and other alcoholic beverages; and
- 13% of all shoppers who buy groceries in drug stores buy pet foods and pet accessories.

So, as you can see, with the exception of two categories, candy/gum and alcoholic beverages, discount stores generate more grocery category purchases than drug stores.

Discount stores also get more overall grocery purchases.

As we noted in our main story, some 44% of all consumers buy edible and nonedible grocery purchases in discount stores, while just 31% of all consumers buy these same grocery products in drug stores.

Frequency of category purchases

Very few of the shoppers we surveyed, however, bought products in these eight categories very frequently in nonfood stores.

According to our survey, fewer than one third of those who purchase items in each category do so "once a week or more." However, shoppers tend to buy groceries more frequently in discount stores than in drug stores.

About a third (31%) of the shoppers in our survey said they bought pet foods and accessories once a week or more often in discount stores while just 25% said they made such purchases once a week or more in drug stores.

Thirty percent of the shoppers who bought nonalcoholic beverages in discount stores said they did so at least once a week or more, while 26% of those who bought their beverages in drug stores said they did so at least once a week or more.

Why Shoppers "Don't" Buy Groceries In Non Food Stores

Those consumers who do *not* shop at discount stores for foods/groceries say it is primarily because such shopping is "inconvenient" for them.

Four out of ten simply say their local discount store is "too far away" or "not in their neighborhood" so they don't think of buying groceries there.

Another 13% say they simply "prefer to do all of their grocery shopping in one place."

One in five shoppers said that they simply prefer to shop for groceries in supermarkets, while about one in ten say their local discount stores just didn't carry grocery items.

The reasons shoppers gave for not buying grocery products in drug stores also centered on convenience, but to a lesser extent.

Just 9% said that drug stores were "too far away" to make grocery purchases, or that they preferred "to shop in one place."

Just 14% said they didn't buy grocery products in drug stores because their local drug stores didn't carry such products, and only one in ten (9%) said it was because they preferred to purchase food items in supermarkets.

According to our survey, just one out of every ten shoppers aren't buying groceries in drug and discount stores because their prices are "too high."

Surprisingly enough, most shoppers didn't mind that drug and discount stores can only offer a limited selection of grocery items.

Just 4% of all the shoppers in our survey said "limited selections" was one of the reasons they didn't shop for groceries in drug and discount stores.

Why Shoppers "Do" Buy Groceries In Nonfood Stores

Those consumers who *do* shop for goods & groceries in non food stores say they shop these stores for three main reasons: price, convenience and product selection.

Most consumers who shop for groceries in discount stores said their purchases were generated by "low prices" (63%) and "advertised specials" (56%).

Consumers who bought food and grocery items at drug stores said they did so primarily because their local stores had "convenient locations" (55%) and "good advertised specials" (48%).

Discount store shoppers also said that maintaining products in stock and offering the best selection and variety were reasons they shopped for groceries in their local stores.

Drug store grocery shoppers, however, were less likely to report that having product in stock or offering a good selection were reasons for buying groceries in drugstores.

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Ames Profits Climb After Loss Prevention Effort

By Peter Hisey

Peter Hollis

ROCKY HILL, Conn. — A year-long battle with inventory shrinkage may have ended for Ames Department Stores with the discovery of significant accounting errors in several vendor-serviced departments. The result: Ames' shrink rate has returned to near industry norm and 1987 profits rose sharply over the previous year.

According to Peter Hollis, president and chief executive officer of the chain of 342 discount and 147 variety stores, inventory shrink fell to 1.6 percent of sales at cost, significantly below the projected level of 2.0 percent reported last year. Last July, the figure was 2.4 percent and at year-end 1986 topped 2.7 percent.

Hollis noted that he was particularly gratified by the chain's performance in the face of an extensive, time-consuming analysis of virtually all of Ames' operating procedures. "It isn't easy to do both [run a business and conduct

(Continued on page 4)

Office Products Megastores Creating New Specialty Niche

By Laura Liebeck
Nationwide DSN Report

Deep discount and warehouse-style office products stores could total 600 units by 1995 and garner a large chunk of the office supply industry's total annual sales, sources estimate.

The exact size and scope of this new breed of store is difficult to quantify as it is growing almost daily. Sources estimate discount office products stores will tally between $300 million and $400 million in sales this year, a fraction of the more than $100 billion office supply business.

Precise industry data on this burgeoning new entity may be revealed this fall when the National Office Products Association, Alexandria, Va., releases its study of the office products industry.

The growth of deep discount office products stores is being fueled by numerous factors: increasing demand for home office/stationery products; small and me-

(Continued on page 63)

Discount Office Products Chains

Company	When Opened	No. of Units
Staples, Newton, Mass.	May 1986	11
Office Depot, Boca Raton, Fla.	Nov. 1986	11
Office Station, Carol Stream, Ill.	Jan. 1987	2
Office Club, Concord, Calif.	Jan. 1987	5
WORKplace, St. Petersburg, Fla.	3rd Qtr. 1987	2
Office America, Richmond, Va.	Aug. 1987	2
Office Shop Warehouse, McKeesport, Pa.	March 1988	1
OfficeMax, Cleveland, Ohio	April 1988	2
Office World, Great Neck, N.Y.	April 1988	1
Bizmart, Arlington, Texas	May 1988	1
Office Square, San Antonio, Texas	*	*

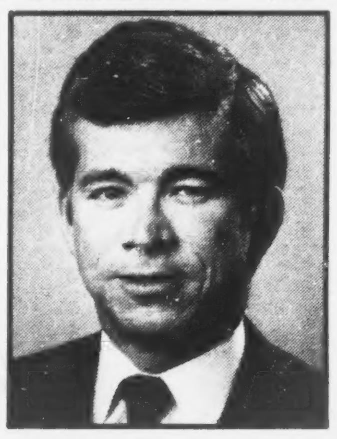
**date of first opening not yet announced*

Source: DSN research, published reports

Best Products Names New President, Probes Direct Mail and New Formats

By Arthur Markowitz

Robert E.R. Huntley



William F. Costello

NEW YORK — Here are Best Products' latest moves in what its top executive described as a continuing "evolution from a cataloger into a more contemporary retailer in all aspects of our business":

- William F. Costello, who has been heavily involved in the chain's rehabilitation and diversification as executive vice president and chief financial officer, was elected president and chief operating officer.

That post had been vacant since February 1987, when Robert E.R. Huntley, then president and coo, was promoted to chairman and chief executive officer to lead Best's retailing evolution.

- The direct mail field will be probed as a new growth market with the distribution this fall of a 20-to-24-page jewelry specialty catalog featuring goods from Best's annual book. The mailing will go to 300,000 to 500,000 customers, people culled from Best's own mail order list of

(Continued on page 64)

Hills Exec Honored by Peers

IMRA Spotlights Retail Ad Strategies

DALLAS — Wes McDonough, vice president, advertising and marketing for Hills Department Stores, Canton, Mass., was honored as Retailer Advertiser of the Year at the 16th Annual Advertising Conference, sponsored by the International Mass Retail Association here March 23 to 25.

McDonough, chairman of IMRA's advertising executives council steering committee, was recognized by a vote of more than 50 discounter ad execs in attendance. In his introductory remarks, McDonough observed "we in marketing have to be more informed, more sophisticated, more astute" than ever before.

Sessions included a presentation on newspapers' efforts to improve relations with retail advertisers; a description of new satellite technology that enables advertisers to deliver camera-ready ad copy instantly and simultaneously to 114 newspapers in 31 states; a talk by K mart-sponsored marketing professor J. Patrick Kelly of Wayne State University on how stores can be an ad medium, suggesting space on walls can be sold to deliver vendors' messages; and analyses of baby boomers.

Maxwell Communications, St. Paul, Minn., a large offset and gravure printer, was honored as ad vendor of the year.

CD Sells U.S. Cataloger To Asian Marketing Firm

EDISON, N.J. — Consumers Distributing (U.S.) has a new foreign owner.

President Stanley Seiden said the change could help the showroom chain continue to reposition its operations from a catalog-oriented business into a store-driven retailer, but wouldn't have a major impact on its merchandising.

Provigo, the former owner, a diversified Canadian food distributor, sold the 85-store U.S. East Coast cataloger to a Far East electronics vendor and trading firm as part of its revamping of its CD (Canada) division, the parent of CD (U.S.).

International Semi-Tech Microelectronics, a Toronto company, acquired CD (U.S.) through a wholly-owned Hong Kong subsidiary, Semi-Tech Microelectronics (Far East), for about $100 million.

The purchase of CD (U.S.) is expected to be completed at the end of May, when an audit of the cataloger that will help determine the final price is completed.

International Semi-Tech, a $15.3 million company listed on the Toronto Stock Exchange, was founded seven years ago as a computer hardware research and development firm. The company's income had recently come from licensing manufacturing and marketing rights, but last year it said in its annual report that it had begun to set up a marketing and distribution network for its Far East-sourced goods in North America and Europe to provide a firmer revenue base.

(Continued on page 63)

Consumers Distributing (U.S.)
Edison, N.J.

No. of Stores: 87
Average Store Size: 10,000 square feet
1987 Sales: $280 million
Percent Change from 1986: – 14.5 percent

Source: Provigo Inc.

For Discounters, It's Show & Tell at MAGIC

Distributors Rank 1987 Top Selling Products

MARKETWATCH

Neiman-Marcus Opens Discount Outlet

DALLAS — The tony Neiman-Marcus, perhaps the last conventional department store to enter the discount field, is set to open a discount outlet, called Last Call, in Austin, Texas, this month. The store was created to clear out merchandise left over after clearance sales. The first 30,000-square-foot Last Call store, which is also the name of the 22-unit retailer's January and July sales, will sell apparel, shoes, accessories and home furnishings at least 65 percent below original retail price. According to published reports, the merchandise typically will be about a year old. The company said it will operate the Austin store on a trial basis for at least six months. Another Last Call store is slated to open in Wayne, N.J. No other stores are currently planned. Nordstrom, another of the nation's most exclusive specialty apparel stores, announced late last year that it planned to expand its Nordstrom Rack discount outlet stores into a number of new markets this year, including Washington D.C.

Hills Reports Year-End Sales of $1.51B

CANTON, Mass. — Hills Department Stores reported sales of $1.51 billion during the 52-week period ended Jan. 30—representing a 12.7 percent increase over 1986's 53-week fiscal year. Same store sales for the comparable 52-week periods rose 4.9 percent. Operating profit for the year climbed 9.7 percent to $103.5 million. Net income for the year, including an extraordinary credit for utilization of tax loss carry-forwards, was $22.6 million, compared to a loss of $30.9 million in 1986, which included a nonrecurring inventory charge of $41.3 million. Fourth quarter sales rose 11.5 percent to $507.7 million, while quarterly operating profit gained 7.5 percent to $57.1 million. Hills operates 152 discount stores, including 15 new stores opened during 1987. The opening of the company's first Massachusetts store—in Pittsfield (Albany, N.Y., market)—has been delayed by environmental concerns about the mall in which it is located.

Price Club 2nd Qtr. Earnings Up 26.6%

SAN DIEGO — Price Club reported net earnings rose 26.6 percent to $21.1 million on sales of $842.6 million for the second quarter ended March 13. For the quarter, chainwide sales increased 24.2 percent, while comparable warehouse club sales climbed 2.92 percent. In the first six months of Price Club's fiscal year, net income totaled $52 million compared to $39.5 million for the same period last year. Sales were $2.13 billion compared to $1.71 billion in the previous period. The 38-unit chain opened a new warehouse club in White Marsh, Md., last month, and it will open three membership clubs this summer—in Glendale, Ariz.; Corona, Calif.; and Hampton, Va.—and a unit in Babylon, N.Y., is scheduled to open in the fall.

Pic 'N' Save Institutes Shark Repellent

CARSON, Calif. — Closeout specialist Pic 'N' Save Corp. has adopted a shareholder rights plan designed to ensure fair treatment in the event of a takeover. The 125-store company said it has not received notice of a takeover attempt. President and chief executive officer Lewis Merrifield III said the measure would not prevent a takeover, but would encourage negotiations with the board in the event of an acquisition attempt.

Nichols Denies Takeover Attempt Rumors

NEW YORK — Manfred Brecker, chairman of S.E. Nichols, scotched speculation that his 44-store regional chain is a takeover target. Instead, any talk about outside investment stems from the chain's attempts to restructure its financing to provide more capital for growth and cut interest rates on long-term debt (from the 15 percent range), Brecker said. Potential lenders are insisting on an equity kicker, such as warrants or preferred stock as a condition to lending, Brecker said. A $1.75, one-day spurt in its stock, when it was trading in the $5 range, prompted Nichols to issue a release saying outside investors were interested. But no buyout is in the works, Brecker said, and Nichols has yet to settle on a refinancing plan.

Telaction Adds More Chicago Subscribers

SCHAUMBURG, Ill. — Telaction has signed a three-year agreement with Jones Intercable that provides for the cable company to carry the interactive TV shopping service on its system serving 35,600 subscribers in the Chicago suburbs of Grayslake, Libertyville, Orland Park, Mundelein, Naperville, Park Forrest and Wauconda.

FOR THE RECORD

Vance Publishing is the sponsor of the National Home Center Show. A story on the show in *DSN's* March 14 issue incorrectly identified the trade show organizer.

PACE Founder Haimsohn Resigns; Company Plans Continued Growth

AURORA, Colo. — Henry Haimsohn, founder, president, chief executive officer and chairman of PACE Membership Warehouse based here, has resigned from all his positions with the company.

Reasons for Haimsohn's departure were not disclosed by the 33-unit warehouse club chain. PACE reported that executive vice president of finance Wayne Patterson has been elected chairman, while executive vp of sales management Charles Steinbrueck has been named president.

Both will share the ceo's responsibilities, said Archie Litt, vp and general counsel.

Litt said the company does not anticipate any major changes with the departure of Haimsohn, since "Patterson and Steinbrueck have been effectively running the company for some time now on a day-to-day basis."

Henry Haimsohn

Steinbrueck added: "We will continue to grow the company in the manner we established in 1987."

Steinbrueck referred to the first profitable year in PACE's history. After its beginning in 1983, PACE remained in the red, but recent year-end results for fiscal 1987 showed a $7.67 million profit compared to a $1.15 million loss in the previous year.

Although the company had begun a turnaround, retail analyst Kurt Barnard speculated that this reversal was not significant enough to erase past problems and PACE might not be able to sustain the momentum. He said it is possible Haimsohn was under pressure from shareholders and board members to leave the company.

Another analyst, however, said Haimsohn, an entrepreneurial type manager, became less involved once the chain was up and running and ultimately chose to leave PACE of his own volition.

Haimsohn—who holds less than 5 percent of PACE's outstanding stock, according to Litt—was unavailable for comment. PACE said the founder would act as a consultant, and his father, Herbert Haimsohn, is remaining on the board.

Venture, Caldor Sales Rise 9.7%

ST. LOUIS — Combined 1987 sales for Venture and Caldor rose 9.7 percent to $2.71 billion.

Same store sales for the chains gained 4.6 percent for the year ended Jan. 30, 1988, reported parent May Department Stores Company.

Operating earnings for the two chains fell to $126 million, a decrease of 16 percent.

May declined to report separately Caldor's sales and operating earnings, which it acquired in October 1986.

For the fourth quarter, May's discount division sales rose 8.7 percent to $891 million from $820 million in the year-earlier period. Same store sales for the quarter gained 4.1 percent.

For the entire company, sales gained 8.6 percent to $10.31 billion. Net earnings rose to $444 million, against $381 million a year ago.

During 1988, May intends to open seven discount stores.

NRMA Outlook: Stronger 2nd Half

NEW YORK — In its first economic outlook, the National Retail Merchants Association predicted sales at general merchandise and apparel specialty stores will strengthen in the second half of the year.

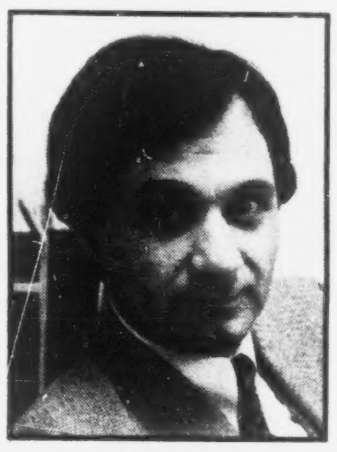
"Dollar sales will be equal to last year's gains of 6 percent, but lower inflation will result in increased volume growth," stated the "Retail and Consumer Outlook" report prepared by Rosalind Wells, newly-appointed chief economist for NRMA. Wells was previously manager of corporate economics at J.C. Penney.

The optimistic report also predicted that sales of women's apparel, which were hurt last year by price increases and a confused fashion direction, will increase slightly in 1988. The report forecast the volume of merchandise sold to increase by 2.75 percent.

In addition, the NRMA outlook reported that year-to-year sales comparisons should strengthen in the second half—increasing from 4.5 percent to 7 percent.

These predictions were based on key indicators including a continuing expansion of the economy; moderate rise in consumer spending; strong increases in business investment; an improving trade balance; strong employment gains; and a continuing decrease in unemployment.

DSN Publisher Named VP of Lebhar-Friedman



NEW YORK — Fred Filer, publisher of *Discount Store News*, has been appointed a vice president of Lebhar-Friedman Inc., announced J. Roger Friedman, president of *DSN's* parent firm. "This major promotion is in recognition of the outstanding job Fred has done since he rejoined Lebhar-Friedman nine years ago," said Friedman.

In 1981, Filer became national sales manager of *DSN* and in 1982 he was promoted to publisher. Recently, he was named chairman of the operating committee of Lebhar-Friedman. Lebhar-Friedman publishes a number of retail trade publications, including *Chain Store Age Executive*, *National Home Center News* and *Drug Store News*.

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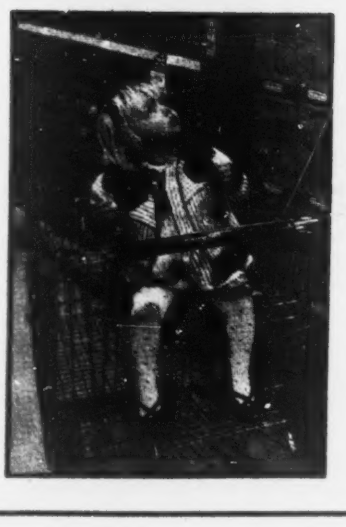

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RETAIL TECHNOLOGY

The Future: 'You Ain't Seen Nothin' Yet'

ARTHUR MARKOWITZ

That trite expression, "You ain't seen nothin' yet," aptly describes the booming retail technology area.

During the past decade retailers, in growing numbers, sought out the latest technology that would help them cut operating expenses and thereby boost their bottom line.

The result is that everyone in retailing by now knows about and uses electronic point-of-sale terminals and scanning devices. These technologies has become so ubiquitous that a number of security analysts have listed companies supplying electronic registers and bar code readers among their recommended investments.

The technology focus now is shifting—to innovative uses for current equipment and to more exotic devices.

Satellite communication networks are one example of how current technology is being put to novel uses. K mart, Wal-Mart, J.C. Penney, Sears and Federated Department Stores are already communicating to their stores through satellite systems. These innovative retailers employ their networks to, among the many uses, obtain sales information, download VCR training tapes, broadcast live merchandise presentations to store buyers and enable executives to talk to all employees at the same time.

Scanning opens up a new marketing world to retailers and manufacturers because it provides instant sales information. Any retailer that scans can easily test new items by simply monitoring the real-time sales of these products in a few stores before making a major chainwide inventory commitment. Supermarketer Safeway, however, is a step ahead. It has turned its scanning ability into a new business, Safeway Marketing Research Services, that test markets new merchandise and evaluates promotional techniques for manufacturers.

Laptop computers are becoming lighter and easier to use. It's not hard to visualize buyers taking these devices to trade shows, making deals with manufacturers and, on the spot, sending the information back to headquarters where it's processed into specific store orders as well as an EDI order to the manufacturer.

CD-ROM chips are one example of the exotic technology that is likely to make an impact on retailing within a few years. The price of CD-ROM chips is continuing to fall and the day isn't too far off when they will become inexpensive enough to be viewed as an electronic catalog. When that happens, retailers will be able to record planograms and other merchandise presentations on CD-ROM chips and send the chips to their stores. There, employees, as needed, can read the diagrams and see still color photos of the displays before setting up the latest planogram.

Artificial intelligence may seem quixotic as far as retailers are concerned. After all, this exotic technology has failed to live up to expectations in other businesses. But there are some big name retailers that are quietly, and in a very low keyed fashion, probing AI. Software programming companies working on retailing AI systems forecast usable technology within the next few years.

What about other exotic retailing technology ideas? Obviously, there are much more technical concepts awaiting retailers' use. The only limit would seem to be imagination—and retailing has always attracted talented and visionary individuals.

Study: Discount Stores Draw 64% of Shopper Population

Nationwide DSN Report

Discounters are in the enviable position of having one of the largest frequent shopper populations of all U.S. retail outlets. Nonetheless, discounters could further exploit that shopper loyalty by upgrading apparel and consumer electronics departments, a Management Horizons study indicated.

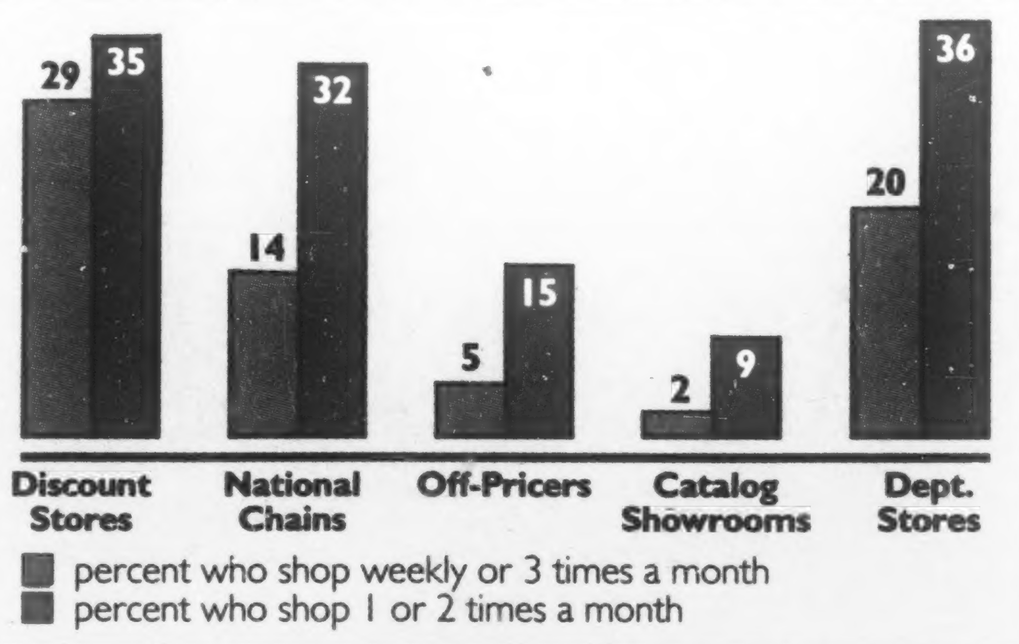
Department stores, national chains and specialty stores are drawing discount store customers to their high margin apparel and electronics merchandise.

Management Horizons' "Consumers' Characteristics and Shopping Behaviors report," conducted last May and released to the press early this year, categorized heavy, moderate and light shoppers for each of 11 retail outlets, explored shopper demographics, and examined cross-shopping habits among various store formats. Respondents were also asked to describe the factors that were most important to them when shopping for merchandise such as consumer electronics and apparel.

(Continued on page 11)

Discount Customers Shop More Often

Percentage of respondents who shop frequently by type of store.



Source: 'Consumers' Characteristics and Shopping Behaviors: Eleven Kinds of Stores,' Management Horizons, Dublin, Ohio, division of Price Waterhouse

Loss Prevention Effort Yields Profits at Ames

(Continued from page 1)

a full audit] simultaneously," he said. "However, when you finish, you have a full set of reliable systems and procedures; you start clean."

The company reported significantly higher earnings, partly as a result of its crash loss prevention program. Earnings rose 25 percent to $34.16 million, or 91 cents per share, compared to last year's $27.13 million, or 73 cents per share. Sales rose 11.8 percent to $2.11 billion from $1.89 billion. Same store store sales rose 9.7 percent.

Ames, which has historically experienced shrink levels at or below the industry average of 1.2 percent to 1.4 percent, surprised investors last spring when it reported a then unexplained shortage of nearly $20 million, discovered in its year-end inventory in January 1987. At the time, founder and chairman Herbert Gilman promised to spare no efforts to determine the cause of the losses. During the annual shareholders meeting last June, speculation about those causes included a theft ring or massive collusive activity among employees.

According to a report just issued by security consultants Jack L. Hayes International, called in by Ames last September, the actual root of the shrinkage was more prosaic. "A significant portion of the shrinkage can be traced to vendor-serviced areas," Hayes said. Sales in these areas were recorded at suggested list prices, not the prices actually charged by Ames. In effect, each sale from the affected departments (like H&BA and jewelry) resulted in a small amount of shrink.

Hayes discovered the connection after conducting thousands of audit tests, following a paper trail of invoices and receipts for hundreds of different products through the entire distribution process. "We found absolutely no evidence of massive theft or collusive activity," Hayes said.

The auditors then turned their attention to certain problem departments, which had experienced significant shrinkage. It quickly became obvious that they shared one quality—vendor service.

Once that connection was established, buyers and merchandise managers in each category were interviewed. "Within a day or so, buyers had letters in hand from vendors assuring us that list prices would be removed from the invoices," Hayes said.

Ames had suspected billing errors as a primary culprit within a few weeks of the inception of its own internal investigation. According to Hayes, the company's MIS and loss prevention departments had already plugged several holes in its inventory control systems.

"The company relied on manual intervention, and in a period of rapid growth, mistakes slipped through," Hayes said. Essentially, a system that had worked adequately sprung leaks when Ames more than doubled its size with the 1986 acquisition of the G.C. Murphy chain.

Hayes said the "unprecedented team effort" is responsible for the sharp drop in shrinkage. "This is normally a two- or three-year process," he said, adding that Ames has shown substantial improvement in less than a year.

"We still have a lot of work," said Hollis, referring to a continuing effort to tighten procedures as well as implementing new merchandising concepts, like Office Shop Warehouse, a stationery superstore, and competitive adjustments, like a new prototype due this fall.

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Study Shows Discounters Draw 64% of Shopper Population

(Continued from page 4)

The heavy discount shopper—someone who visited the store at least once per month—constituted 64 percent of the survey sample, making it the second largest heavy shopper population of all retail outlets studied by the group, including: national chains, department stores, discounters, off-pricers, local specialty stores, catalog showrooms, home centers, drug stores, convenience stores and warehouse grocery stores. Drug stores were the only stores with a larger heavy shopper base.

Overall, the heavy discount shopper is a carbon copy of the Wal-Mart target customer: lower to middle income, blue collar, primarily from young families in small markets.

Catalogers have one of the youngest heavy shopper populations among the retail outlets examined. Of the 31 percent who were heavy shoppers, 40 percent are under 34 years old. While catalog shoppers tend to be youthful, they are also affluent. Twenty percent earn $50,000 per year or more. But, as is typical of nearly all affluent shoppers surveyed, the more money they have to spend, the less loyal they are to any individual retail outlet.

> ***In most product categories, low-income individuals were heavy shoppers of stores that advertise low prices, but when it came to purchases of personal clothing and consumer electronics products, loyal discount shoppers often went elsewhere.***

Half of the catalog showroom shoppers surveyed visit the store only once per year or less often, due in part to the non-consumable nature of its merchandise.

In most product categories, low-income individuals were heavy shoppers of stores that advertise low prices, but when it came to purchases of personal clothing and CE products, loyal discount shoppers often went elsewhere.

While there is a willingness to buy some casual clothing at discount stores, the less retrictive the budget, the more quickly the consumer turned to other stores.

Low-income, heavy discount shoppers claim that price is the most important element when they are choosing personal clothing, but frequently cross-shop with department and specialty stores when buying clothing for themselves.

The heavy shopper acknowledged she buys dress clothing at discount stores 16 percent of the time, at generally higher-priced department stores 30 percent of the time, and at national chains 28 percent of the time. So while she will shop at the discount store for housewares 54 percent of the time and small appliances 38 percent of the time, she often goes elsewhere for her apparel needs.

The moderate discount user, with somewhat more cash at her disposal, will quickly abandon the discount store and head for the department stores and national chains; 20 percent go to national chains and nearly 40 percent go to department stores for women's dress clothing.

When shopping for casual clothing, the shift in loyalty among both heavy and moderate users is more subtle.

The discount apparel shopper claims she is not looking for "high-fashion merchandise" which was considered to be "not very important" among all discount shoppers, but evidently finds something missing from the price/quality equation in the discounter's apparel merchandise mix.

Overall, all apparel shoppers, regardless of retail outlet, considered ease of finding the merchandise they are looking for, friendly sales people, and good return policies to be the most important elements of their personal clothing shopping experience.

Price and ease of finding merchandise take a backseat, however, to good guarantees/warranties and knowledgeable sales help in the consumer electronics department. Even the most budget-conscious, heavy discount shopper ranked price the third most important factor when shopping for electronics, while moderate and light users ranked price fifth.

In consumer electronics, on a four-point scale where one is very important and four is not important at all, staff product knowledge was ranked 1.3 by all users.

As was the case of discount apparel shoppers leaving discounters for department stores and national chains as income levels rose, discount shoppers increasingly turn to specialty stores for electronics with rising affluence.

Heavy discount users shopped specialty stores 38 percent of the time for consumer electronics and 18 percent of the time at discount stores. Moderate discount users shopped specialty stores 43 percent of the time and discounters 9 percent of the time for electronic goods.

All catalog showroom users, regardless of income levels or shopping patterns, preferred to shop any other store for consumer electronics, including discount stores. Part of the reason for what would appear to be a lack of shopper loyalty, could be due in part to the relatively few number of showrooms when compared to the number of discount stores, national chains and department stores that saturate the country.

When heavy catalog showroom users were asked where they most often buy selected goods, fine jewelry and sporting goods were the two merchandise categories where catalogers were mentioned more often than discounters and national chains.

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